Good Health Can't Wait.

Dr.Reddy's

SUBSIDIARY COMPANIES FINANCIALS
2019-20

PART- B



Accelerating the Transformation

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders **Dr. Reddy's Laboratories Romania SRL**

Report for the audit of individual financial statements

Audit Opinion

1. We have audited the accompanying financial statements of **Dr. Reddy's** Laboratories Romania SRL (hereinafter refer to as "the Company"), with the headquarter in Bucharest, identified by the fiscal code 27144903, which comprise the balance sheet as at December 31, 2019, the income statement, the cash flow statement, the statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

   The above mentioned individual financial statements are identified by:

   - Net turnover: RON 37,801,263
   - Net result of the period: RON 3,180,364 profit
   - Net assets/Total equity: RON 19,768,389

2. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1802/2014 for the approval of Accounting regulations for individual and consolidated financial statements, with subsequent amendments ("OMFP 1802/2014").

Basis for Opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law no. 162/2017 („The law"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company, in accordance with the International Ethic Standards of the Accounting Professionals issued by International Council of Ethic Standards for Accountants (IESBA code), according to ethical requirements that are relevant to our audit of the financial statements in Romania, including The Law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and according to IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information - **Administrator's Report***

4. The administrators are responsible for preparation and presentation of other information. The other information comprises the Administrator's Report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and except for the cases where there is explicit mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements as at December 31, 2019, our responsibility is to read the Administrators' Report and, in doing so, consider whether the Administrator's Report is materially inconsistent with the financial statements, or with the information gathered during the audit, of if those appear to be significantly misstated.

   In relation with the Administrator's Report, we have read and we report if it was prepared, in all material aspects, in accordance with the MoPF Order no. 1802/2014, articles 489-492 of the Accounting regulations regarding the preparation of individual and consolidated financial statements.

Based on our activity, we report as follow:

a) In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with information presented in the accompanying financial statements;

b) The Administrators' Report identified above, includes in all material respects, the information required by the MoPF Order no. 1802/2014, articles 489-492 of the Accounting regulations regarding individual financial statements and consolidated financial statements.

5. In addition, based on our knowledge and understanding of the company gained during the audit of financial statements ended at December 31, 2019 we have not identified any information included into Administrators' Report that is material misstated. We do not have anything to report in relation with this aspect.

Responsibilities of Management and Those charged with Governance for the Financial Statements

6. Management is responsible for the preparation of the financial statements in accordance with MoPF Order no. 1802/2014, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company's or to cease operations, or has no realistic alternative but to do so.

8. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

9. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

10. As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a

going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

11. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

12. This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Refer to original signed version in Romanian language

On behalf of BDO AUDIT SRL
Registered to Electronic Pubic Register of financial auditors and audit companies no. FA18

Name of the engagement partner: Cristian Iliescu
Registered to Electronic Pubic Register of financial auditors and audit companies no. AF1530

April 24, 2020
Bucharest, Romania

Translation from Romanian language - excerpt

Financial situation type: BL

Check only if necessary:

- [ ] Big Contributors submitting the balance sheet in Bucharest
- [ ] Branch
- [ ] GIE - Groups of economic interest
- [ ] Net assets smaller than 1/2 of the value of the subscribed capital

Control amount: 1,700,000

Year 2019

Legal Entity	Dr. Reddy's Laboratories Romania SRL

Address

Bucharest, 1st District, 71, Nicolae Caramfil Street, apt. 10, phone: 0212240032

Trade Register number	J40/6590/2010	Sole Registration Number:	27144903

Form of Property
35 - Limited liability companies

Preponderant activity (code and name from the NACE classification)
4646 Wholesale of pharmaceutical goods

Actual preponderant activity (code and name from the NACE classification)
7320 Market research and public opinion polling

Financial annual statement
Middle-sized, big and public interest entities

The financial annual statements as of December 31, 2019 issued by the entities listed at point 9 paragraph (4) of the Accounting Regulations approved by OMFP no. 1.802/2014 with subsequent changes and ammendments whose financial year is the same with the calendar year.
F10 - SHORT BALANCE SHEET
F20 - PROFIT AND LOSS ACCOUNT
F30 - INFORMATION
F40 - SITUATION OF PERMANENT ASSETS

DIRECTOR
Full name
Palamadai Vijay
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED form

The entity is legally forced to yearly audit of the financial statements NO
The entity has volunteered for auditing the annual financial statements YES

AUDITOR
BDO AUDIT SRL Sole Registration Code 6546223

BALANCE SHEET

F10

December 31st, 2019

Code **10**

Lei

Name of the item (calculation formulas refer to Row no. in column B)	Row no. OMFP no.	Row no.	BALANCE ON Jan. 1st, 2019	BALANCE ON Dec. 31st, 2019
A		B	1	2
A. PERMANENT ASSETS				
I. INTANGIBLE PERMANENT ASSETS				
1. Set-up costs (acc. 201-2801)	*01*	01	0	0
2. Development costs (acc. 203-2803-2903)	*02*	02	0	0
3. Concessions, patents, licences, trademarks and similar rights and assets (acc. 205+208-2805-2808-2905-2908)	*03*	03	1,931	5,258
4. Commercial fund (acc. 2071-2807)	*04*	04	0	0
5. Exploration and evaluation intangible assets for mineral resources (acc. 206-2806-2906)	*05*	05	0	0
6. Advances (acc. 4094-4904)	*06*	06	0	0
TOTAL (**rows 01 to 06**)	*07*	07	1,931	5,258
II. TANGIBLE PERMANENT ASSETS			140,091	180,532
1. Freehold land and constructions (acc. 211+212-2811-2812-2911-2912)	*08*	08	0	0
2. Plant and machinery (acc. 213+233-2813-2913)	*09*	09	59,477	120,744
3. Fixtures and fittings (acc. 214+224-2814-2914)	*10*	10	49,038	40,674
4. Real estate investments (acc. 215-2815-2915)	*11*	11	0	0
5. Tangible assets in progress (acc. 231-2931)	*12*	12	72,017	0
6. Real estate investments in progress (acc. 235-2935)	*13*	13	0	0
7. Exploration and evaluation tangible assets for mineral resources (acc. 216-2816-2916)	*14*	14	0	0
8. Production biological assets (acc. 217+227-2817-2917)	*15*	15	0	0
9. Advances (acc. 4093-4903)	*16*	16	0	0
TOTAL (row 08 to 16)	*17*	17	180,532	161,418
III. FINANCIAL PERMANENT ASSETS				
1. Shares in related parties (acc. 261-2961)	*18*	18	0	0
2. Loans granted to group entities (acc. 2671+2672-2964)	*19*	19	0	0
3. Shares in associated entities and entities jointly controled (acc. 262+263-2962)	*20*	20	0	0
4. Loans granted to associated entities and entities jointly controled (acc. 2673+2674 -2965)	*21*	21	0	0
5. Other long term investments (acc. 265+~~266~~-2963)	*22*	22	0	0
6. Other loans (acc. 2675*+2676*+2677+2678*+2679*-2966*-2968*)	*23*	23	85,708	85,708
TOTAL (row 18 to 23)	*24*	24	85,708	85,708
PERMANENT ASSETS TOTAL (row 07+17+24)	*25*	25	268,171	252,384
B. CURRENT ASSETS				
I. **STOCKS**				
1. Raw materials and consumables (acc. 301+302+303+/-308+321+322+323+328+351 +358+381+/-388-391-392-3951-3958-398)	*26*	26	87,440	44,077
2. Work in progress (acc. 331+332+341+/-348*-393-3941-3952)	*27*	27	0	0
3. Goods (acc. 345+346+347+/-348*+354+356+357+361+326+/-368+371+327+/-378 -3945-3946-3947-3953-3954-3955-3956-3957-396-397-from acc. 4428)	*28*	28	0	0
4. Advances (acc. 4091-4901)	*29*	29	0	0
TOTAL (row 26 to 29)	*30*	30	87,440	44,077
II. **DEBTS** (Amounts which are to be cashed in more than one year must be presented separately for each element)				
1. Long term receivables 1) (acc. 2675*+2676*+2678*+2679*-2966*-2968*+4092+411+ 413+418-4902-491)	*31*	31	16,399,756	19,269,862
2. Receivables from affiliated entities (acc. 451**-495*)	*32*	32	0	0
3. Receivables from associated entities and entities jointly controled (acc. 453**-495*)	*33*	33	0	0
4. Other receivables (acc. 425+4282+431**+437**+4382+441**+4427+from acc. 4428**+ 444**+445+446**+447**+4482+4582+4662+461+473**-496+5187)	*34*	34	2,238,711	1,948,877
5. Subscribed not paid in capital (acc. 456-495*)	*35*	35	0	0
6. Receivables representing dividends distributed during the financial year (acc. 463)	*36*	35a (301)	0	0
TOTAL (row. 31 to 35 +35a)	*37*	36	18,638,467	21,218,739
III. SHORT TERM INVESTMENTS				
1. Shares in affiliated entities (acc. 501-591)	*38*	37	0	0
2. Other short-term investments (acc. 505+506+507+from acc. 508-595-596-598+ 5113+5114)	*39*	38	0	0
TOTAL (row 37+38)	*40*	39	0	0

IV. CASH AND BANK ACCOUNTS (from acc. 508+ acc. 5112+512+531+532+541+542)	*41*	40	1,720,872	936,804
CURRENT ASSETS – TOTAL (row 30+36+39+40)	*42*	41	20,446,779	22,199,620
C. PREPAID EXPENSES (acc. 471) **(row 43+44)**	*43*	42	82,594	240,506
Amounts to resume in a period of under a year (from acc. 471*)	*44*	43	82,594	240,506
Amounts to resume in a period of over a year (from acc. 471*)	*45*	44	0	0
D. DEBTS: AMOUNTS PAYABLE WITHIN ONE YEAR				
1. Debenture loans (acc. 161+1681-169)	*46*	45	0	0
2. Long-term bank loans (acc. 1621+1622+1624+1625+1627+1682+5191+5192+5198)	*47*	46	0	0
3. Advance payments from customers (acc. 419)	*48*	47	0	0
4. Suppliers and similar accounts (acc. 401+404+408)	*49*	48	2,566,641	1,059,503
5. Bills of exchange payable (acc. 403+405)	*50*	49	0	0
6. Debts toward group entities (acc. 1661+1685+2691+451***)	*51*	50	0	0
7. Debts toward associated entities and entities jointly controled (acc. 1663+1686+2692+2693+453***)	*52*	51	0	0
8. Other debts, including tax debts and debts regarding social securities (acc. 1623+1626+167+1687+2695+421+423+424+426+427+4281+431***+436***+437***+4381+441***+4423+4428***+444***+446***+447***+4481+455+456***+457+4581+462+4661+473***+509+5186+5193+5194+5195+5196+5197)	*53*	52	435,551	648,698
TOTAL (rows 45 to 52)	*54*	53	3,002,192	1,708,201
E. NET CURRENT ASSETS, RESPECTIVELY NET CURRENT LIABILITIES (row 41+43-53-70-73-76)	*55*	54	17,527,181	20,731,925
F. TOTAL ASSETS MINUS CURRENT DEBTS (row 25+44+54)	*56*	55	17,795,352	20,984,309
G. DEBTS: AMOUNTS PAYABLE WITHIN MORE THAN ONE YEAR				
1. Debenture loans (acc. 161+1681-169)	*57*	56	0	0
2. Long-term bank loans (acc. 1621+1622+1624+1625+1627+1682+5191+5192+5198)	*58*	57	0	0
3. Advance payments from customers (acc. 419)	*59*	58	0	0
4. Suppliers and similar accounts (acc. 401+404+408)	*60*	59	0	0
5. Bills of exchange payable (acc. 403+405)	*61*	60	0	0
6. Debts toward group entities (acc. 1661+1685+2691+451***)	*62*	61	0	0
7. Debts toward associated entities and entities jointly controled (acc. 1663+1686+2692+2693+453***)	*63*	62	0	0
8. Other debts, including tax debts and debts regarding social securities (acc. 1623+1626+167+1687+2695+421+423+424+426+427+4281+431***+436***+437***+4381+441***+4423+4428***+444***+446***+447***+4481+455+456***+457+4581+462+4661+473***+509+5186+5193+5194+5195+5196+5197)	*64*	63	0	
TOTAL (row 56 to 63)	*65*	64	0	0
H. PROVISIONS				
1. Provisions for employee's benefits (acc. 1515+1517)	*66*	65	0	0
2. Provisions for taxes (acc. 1516)	*67*	66	0	0
3. Other provisions (acc. 1511+1512+1513+1514+1518)	*68*	67	1,207,327	1,215,920
TOTAL (row 65 to 67)	*69*	68	1,207,327	1,215,920
I. EXPECTED INCOME				
1. Subventions for investments (acc. 475) (**row 70+71**)	*70*	69	0	0
Amounts to be resumed in a period of under a year (from acc. 475*)	*71*	70	0	0
Amounts to be resumed in a period of over a year (from acc. 475*)	*72*	71	0	0
2. Income registered in advance (acc. 472) - total (**rows 73+74**)	*73*	72	0	0
Amounts to be resumed in a period of under a year (acc. 472*)	*74*	73	0	0
Amounts to be resumed in a period of over a year (acc. 472*)	*75*	74	0	0
3. Expected income for assets received by transfer from clients (acc. 478) (**row 76+77**)	*76*	75	0	0
Amounts to be resumed in a period of under a year (from acc. 478*)	*77*	76	0	0
Amounts to be resumed in a period of over a year (from acc. 478*)	*78*	77	0	0
Negative commercial fund (acc. 2075)	*79*	78	0	0
TOTAL (row 69+72+75+78)	*80*	79	0	0
J. CAPITAL AND RESERVES				
I. CAPITAL				
1. Paid subscribed capital (acc. 1012)	*81*	80	1,700,000	1,700,000
2. Unpaid subscribed capital (acc. 1011)	*82*	81	0	0
3. Administration patrimony (acc. 1015)	*83*	82	0	0
4. Patrimony of national institutes for research and development (acc. 1018)	*84*	83	0	0
5. Other elements of own equity (1031)	*85*	84	0	0
TOTAL (row 80 to 84)	*86*	85	1,700,000	1,700,000

II. CAPITAL PREMIUMS (acc. 104)	*87*	86	0	0
III. REASSESSMENT RESERVES (acc. 105)	*88*	87	0	0
IV. RESERVES				
1. Legal reserves (acc. 1061)	*89*	88	340,000	340,000
2. Statutory or contractual capital reserve (acc. 1063)	*90*	89	0	0
3. Other reserves (acc. 1068)	*91*	90	0	0
TOTAL (row 88 to 90)	*92*	91	340,000	340,000
Own shares (acc. 109)	*93*	92	0	0
Earnings related to own capital instruments (acc. 141)	*94*	93	0	0
Loses related to own capital instruments (acc. 149)	*95*	94	0	0
V. RESULT CARRIED FORWARD ---------- Balance C (acc. 117)	*96*	95	11,633,169	14,548,025
---------- Balance D (acc. 117)	*97*	96	0	0
VI. RESULT OF THE FINANCIAL YEAR				
---------- Balance C (acc. 121)	*98*	97	2,914,856	3,180,364
---------- Balance D (acc. 121)	*99*	98	0	0
Profit distribution (acc. 129)	*100*	99	0	0
TOTAL OWN EQUITY (row 85+86+87+91-92+93-94+95-96+97-98-99)	*101*	100	16,588,025	19,768,389
Public patrimony (acc. 1016)	*102*	101	0	0
Private patrimony (acc. 1017) 2)	*103*	102	0	0
TOTAL EQUITY (rows 100+101+102) (row 25+41+42-53-64-68-79)	*104*	103	16,588,025	19,768,389

Control amount F10: 331944675/1040334511

*) Accounts to be distributed according to the nature of the elements concerned
**) Debit balances of the respective accounts
***) Credit balances of the respective accounts

01) - The amounts at this row and taken from the accounts 267 are the debts from the financial leasing contracts and from other assimilated contracts, as well as other permanent debts, due in less than 12 months

02) It will be filled in by entities for which the provisions of Order of the minister of public finances and of the delegated minister for budget no. 668/2014 for the approval of the mentions regarding the preparation and updating of the centralized inventory of movable goods privately owned by the state and of the rights in rem supposed to inventory, with subsequent changes and amendments are applied

DIRECTOR
Full name
Palamadai Vijay
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that
through the translation the document was not changed in the content and meaning

AURORA GHEORGHE
Traducător autorizat - Aut 4106
Lb. GERMANĂ-ENGLEZĂ

Translation from Romanian language

F20

PROFIT AND LOSS ACCOUNT
as of December 31st, 2019

Code 20 Lei

Index name (calculation formulas refer to row no. in column B)	Row no. OMFP no. 3781/ 2019	Row no.	Financial year 2018	Financial year 2019
A		B	1	2
1. Net turnover **(rows 02+03-04+06)**	*01*	01	35,305,994	37,801,263
Sold production (acc. 701+702+703+704+705+706+708)	*02*	02	35,305,994	37,801,263
Incomes from sales of commodities (acc. 707)	*03*	03	0	0
Commercial discounts granted (acc. 709)	*04*	04	0	0
~~Incomes from interests registered by entities deleted from the General Register, which still have leasing agreements in execution (acc. 766*)~~		~~05~~		
Incomes from operating subsidies corresponding to the net turnover (acc. 7411)	*05*	06	0	0
2. Incomes pertaining to pending production costs (acc. 711+712)				
Balance C	*06*	07	0	0
Balance D	*07*	08	0	0
3. Incomes from production of intangible and tangible assets (acc. 721+722)	*08*	09	0	0
4. Incomes from reassessment of tangible assets (acc. 755)	*09*	10	0	0
5. Incomes from production of real estate investments (acc. 725)	*10*	11	0	0
6. Incomes from operation subsidies (acc. 7412+7413+7414+7415+7416+ 7417+7419)	*11*	12	0	0
7. Other operating incomes (acc. 751+758+7815)	*12*	13	46,778	3,619
'- out of which, incomes from the negative goodwill (acc. 7815)	*13*	14	0	0
'- out of which, incomes from subsidies for investments (acc. 7584)	*14*	15	0	0
OPERATING INCOMES – TOTAL (rows 01+07-08+09+10+11+12+13)	*15*	16	35,352,772	37,804,882
8.a) Expenses with raw materials and consumable materials (acc. 601+602)	*16*	17	597,863	568,402
Other material expenses (acc. 603+604+606+608)	*17*	18	223,059	207,224
b) Other external expenses (with energy and water) (acc. 605)	*18*	19	24,701	27,047
c) Expenses regarding commodities (acc. 607)	*19*	20	0	0
Commercial discounts received (acc. 609)	*20*	21	0	0
9. Expenses with the staff (**rows 23+24**)	*21*	22	11,419,637	12,617,332
a) Salaries and allowances (acc. 641+642+643+644)	*22*	23	10,942,568	12,199,114
b) Expenses with social insurance and security (acc. 645+646)	*23*	24	477,069	418,218
10.a) Value adjustments regarding tangible and intangible assets (**rows 26-27**)	*24*	25	48,219	68,752
a.1) Expenses (acc. 6811+6813+6817+from acc. 6818)	*25*	26	48,219	68,752
a.2) Incomes (acc. 7813+from acc. 7818)	*26*	27	0	0
b) Adjustment of the value of circulating assets (**rows 29-30**)	*27*	28	0	0
b.1) Expenses (acc. 654+6814+from acc. 6818)	*28*	29	0	0
b.2) Incomes (acc. 754+7814+from acc. 7818)	*29*	30	0	0
11. Other operating expenses (**rows 32 to 37**)	*30*	31	19,108,410	20,208,668
11.1 Expenses regarding external provided services (acc. 611+612+613+ 614+615+621+622+623+624+625+626+627+628)	*31*	32	17,696,096	18,249,358
11.2 Expenses with other taxes, charges and assimilated payments; expenses representing transfers and contributions due based on special regulations (acc. 635+6586*)	*32*	33	1,349,720	1,941,675
11.3 Expenses with environment protection (acc. 652)	*33*	34	0	0
11.4 Expenses with reassessment of tangible assets (acc. 655)	*34*	35	0	0
11.5 Expenses for calamities and other similar events (acc. 6587)	*35*	36	0	0
11.6 Other expenses (acc. 651+6581+6582+6583+6584+6588)	*36*	37	62,594	17,635
~~Expenses with interests registered by entities deleted from the General Register, which still have leasing agreements in execution (acc. 666*)~~		~~38~~		
Adjustments regarding reserves (**rows 40-41**)	*37*	39	97,692	8,592
Expenses (acc. 6812)	*38*	40	2,643,341	2,772,194
Incomes (acc. 7812)	*39*	41	2,545,649	2,763,602
OPERATING EXPENSES – TOTAL (rows 17 to 20-21+22+25+28+31+39)	*40*	42	31,519,581	33,706,017
OPERATING RESULT				
– Profit (**rows 16-42**)	*41*	43	3,833,191	4,098,865
– Loss (**rows 42-16**)	*42*	44	0	0

12. Incomes from shares (acc. 7611+7612+7613)	*43*	45	0	0
- out of which, incomes from affiliated entities	*44*	46	0	0
13. Incomes from interests (acc. 766*)	*45*	47	0	0
- out of which, incomes from affiliated entities	*46*	48	0	0
14. Incomes from operation subsidies for owed interest (acc. 7418)	*47*	49	0	0
15. Other financial incomes (acc. 762+764+765+767+768+7615)	*48*	50	1,287	1,046
- out of which, incomes from other financial assets (acc. 7615)	*49*	51	0	0
FINANCIAL INCOMES – TOTAL (rows 45+47+49+50)	***50***	52	1,287	1,046
16. Value adjustment of permanent assets and of financial investments owned as circulating assets (**rows 54-55**)	*51*	53	0	0
- Expenses (acc. 686)	*52*	54	0	0
- Incomes (acc. 786)	*53*	55	0	0
17. Expenses regarding interests (acc. 666*)	*54*	56	0	0
- out of which, expenses in relation to affiliated entities	*55*	57	0	0
18. Other financial expenses (acc. 663+664+665+667+668)	*56*	58	5,680	4,835
FINANCIAL EXPENSES – TOTAL (rows 53+56+58)	*57*	59	5,680	4,835
FINANCIAL RESULT				
- Profit (**rows 52-59**)	*58*	60	0	0
- Loss (**rows 59-52**)	*59*	61	4,393	3,789
TOTAL INCOMES (rows 16+52)	*60*	62	35,354,059	37,805,928
TOTAL EXPENSES (rows 42+59)	*61*	63	31,525,261	33,710,852
19. GROSS RESULT				
- Profit (**rows 62-63**)	*62*	64	3,828,798	4,095,076
- Loss (**rows 63-62**)	*63*	65	0	0
20. PROFIT TAX (acc. 691)	*64*	66	913,942	914,712
21. Tax specific for certain activities (acc. 695)	*65*	67	0	0
22. Other taxes that do not appear above (acc. 698)	*66*	68	0	0
23. NET RESULT OF THE FINANCIAL YEAR				
Profit (**rows 64-65-66-67-68**)	*67*	69	2,914,856	3,180,364
Loss (**rows 65+66+67+68-64**)	*68*	70	0	0

Verification amount F20: 586279347 / 1040334511

*) Accounts to be distributed according to the nature of the elements concerned

In row 22 (according to OMFP 3781/2019) - also the rights of collaboartors will be included, set according to the labor legislation, taken from the debit side of the account 621 "Expenses with collaborators", analytic "Collaborators physical persons"

In row 32 (according to OMFP 3781/2019) - in acc. 6586 "Expenses representing transfers and contributions due based on special laws", expenses representing transfers and contributions due based on special laws are shown, others than those provided in the Tax Code.

DIRECTOR
Full name
Palamadai Vijay
Signature

Drawn up,
Full name
Nastase Catalin
Position
11 - Economic Manager
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that through the translation the document was not changed in the content and meaning.



Translation from Romanian language
In excerpt

F30

INFORMATION
as of December 31st, 2019

Code 30 (calculation formulas refer to row no. in column B) **Lei**

I. Information regarding the result	Row no. OMFP no. 3781/ 2019	Row	No. of entities	Amounts
A		B	1	2
Entities with profit	*01*	01	1	3,180,364
Entities with loss	*02*	02		
Entities with no profit or loss	*03*	03		

II. Information regarding outstanding payments		Row	Total, out of which:	For current activity	For investment activity
A		B	1=2+3	2	3
Outstanding payments - total (**row 05+09+15 to 17+18**):	*04*	04	0	0	0
Delayed suppliers - total (**row 06 to 08**)	*05*	05	0	0	0
- over 30 days	*06*	06	0	0	0
- over 90 days	*07*	07	0	0	0
- over 1 year	*08*	08	0	0	0
Outstanding obligations to the social security budget - Total (**row 10 to 14**)	*09*	09	0	0	0
- contribution to state social securities, owed by employers, employees and other similar persons	*10*	10	0	0	0
- contributions to the health social security fund	*11*	11	0	0	0
- contribution for additional pension	*12*	12	0	0	0
- contribution to unemployment budget	*13*	13	0	0	0
- other social debts	*14*	14	0	0	0
Outstanding obligations to the special funds and other funds	*15*	15	0	0	0
Outstanding obligations to other creditors	*16*	16	0	0	0
Overdue taxes, contributions and fees to the state budget, out of which:	*17*	17	0	0	0
- work insurance contribution	*18*	17a (301)	0	0	0
Overdue taxes to the local budget	*19*	18	0	0	0

III. Average number of employees		Row	Dec. 31. 2018	Dec. 31, 2019
A		B	1	2
Average number of employees	*20*	19	78	78
Actual no. of employees at the end of the period of time (Dec. 31)	*21*	20	96	95

IV. Royalty and interest payments during reporting period, cashed in subsidies and outstanding receivables		Row	Amount (Lei)
...			

V. Food vouchers		Row	Amount (Lei)
Value of the food vouchers granted to employees	*38*	37	0
Value of the food vouchers granted to other categories of beneficiaries, other than the employees	*39*	37a (302)	0

VI. Expenses for research-development activity **)		Row	Dec. 31. 2017	Dec. 31, 2018
Research-development expenses:	*40*	38		
- by financing sources (row 40+41)	*41*	39	0	0
- from public funds	*42*	40		
- from private funds	*43*	41		
- by nature of expenses (row 43+44)	*44*	42	0	0
- current expenses	*45*	43		
- capital expenses	*46*	44		

VII. Innovation expenses ***)		Row	Dec. 31. 2018	Dec. 31, 2019
Innovation expenses	*47*	45	0	0
VIII. Other information		**Row**	**Dec. 31. 2018**	**Dec. 31, 2019**
…		…		
Financial assets, gross amounts (row 49+54)	*54*	48	85,728	85,708
…				
Long-term receivables, gross amounts (row 55+56)	*61*	54	85,728	85,708
'- long-term receivables in Lei and expressed in Lei, the settlement of which is made based on the exchange rate of a foreign currency (from acc. 267)	*62*	55	85,728	85,708
…				
Commercial receivables, advances paid to suppliers and other similar accounts, in gross amounts (acc. 4091 +4092+411+413+418), out of which:	*64*	57	16,399,756	19,269,862
…				
- commercial receivables in relation to the affiliated non-resident entities, advances for acquisitions of inventories and for services delivered to affiliated non-resident suppliers and other assimilated accounts, in gross amounts in relation to non-resident affiliates (from acc. 4091 + from acc. 4092 + from acc. 411 + from acc. 413 + from acc. 418)	*66*	58a (308)	16,399,756	19,268,066
…				
Receivables in connection to social security budget and state budget (from acc. 431+436+437+4382+441+ 4424+4428+444 + 445 + 446 + 447 + 4482) (**row 62 to 66)**	*69*	61	1,881,007	1,948,508
- receivables in connection to the budget of social security (acc. 431+437+4382)	*70*	62	0	0
- tax receivables in connection to the state budget (acc. 436+441+4424+4428+444+446)	*71*	63	1,387,694	1,620,732
- subsidies to cash in (acc. 445)	*72*	64	0	0
- special funds - fees and assimilated payments	*76*	65	0	0
- other receivables in connection to the state budget (acc. 4482)	*74*	66	493,313	327,776
		…		
Other receivables (acc. 453+456+4582+461+471+473+4662) (**row 72 to 74**)	*79*	71	440,298	270,875
…		…		

- other receivables connected to physical persons and legal entities, other than recivables connected to public institutions (state institutions) (from acc. 461 + from acc. 471 + from acc. 473 + 4662)	*81*	73	440,298	270,875
		…		
Current bank accounts in Lei and foreign currency (**row 88+90**)	*96*	87	1,632,352	772,134
- in Lei (acc. 5121) out of which:	*97*	88	1,627,843	769,496
…		…		
'- in foreign currency (acc. 5124) out of which	*99*	90	4,509	2,638
Debts (**row 94+99+102+103+106+108+110+111+ 116+119+122+128**)	*104*	95	3,002,192	1,708,201
		…		
Commercial debts, advances received from clients and other similar accounts, in gross amounts (acc. 401+403+404+405+408+419), out of which:	*117*	108	2,566,641	1,059,503
…		…		
Debts related to staff and similar accounts (acc. 421+423+424+426+427+4281)	*120*	110		
(acc. 431+436+437+4381+441+4423+4428+444+446+447+448) (**row 112 to 115**)	*121*	111	435,551	648,698
- debts related to the social security budget (acc. 431+437 +4381)	*122*	112	-74,336	141,501
- tax debts related to the state budget (acc. 436+441+ 4423+4428+444+446)	*123*	113	506,904	503,817
'- special funds - fees and assimilated payments (acc. 447)	*124*	114	2,983	3,380
…		…		
Subscribed paid in capital (acc. 1012), out of which:	*143*	130	1,700,000	1,700,000
…		…		
- subscribed capital, paid in by non-residents (from acc. 1012)	*147*	134	1,700,000	1,700,000
Patents and licenses (from acc. 205)	*148*	135	45,261	13,667
…		…		
IX. Information regarding expenses with collaborators		**Row**	**Dec. 31. 2018**	**Dec. 31, 2019**
A		**B**	**1**	**2**
Expenses with collaborators (acc. 621)	*149*	136	0	0
X. Information regarding the goods from the public state domain		**Row**	**Dec. 31. 2018**	**Dec. 31, 2019**
A		**B**	**1**	**2**
no figures are recorded				
XI. Information regarding state owned assets undergoing inventory according to. OMFP no. 668/2014		**Row**	**Dec. 31. 2018**	**Dec. 31, 2019**
A		**B**	**1**	**2**
Net accounting value of the assets 6)	*153*	140	**0**	**0**

XII. Paid in share capital		Row	Dec. 31. 2019		Dec. 31, 2019	
			Amount (Lei)	% 7)	Amount (Lei)	% 7)
A		B	Column 1	Column 2	Column 3	Column 4
Paid in share capital (acc. 1012) 7), (row 142+145+149+150+151+152)	154	141	1,700,000	X	1,700,000	X
		…				
- held by companies with private capital	163	150	1,699,990	100.00	1,699,990	100.00
- held by physical persons	164	151	10	0.00	10	0.00

		Row	Amounts	
A		B	2018	2019
XIII. Dividends/payingins belonging to the state or local budget, to be allocated from the year profit by the national companies, companies and autonomous administrations	166	153	0	0
no figures are recorded				
XIV. Dividends/payingins for the state or local budget, transferred within the reporting period of time from the profit of the national companies, companies and autonomous administrations, out of which	168	157		
no figures are recorded				
XV. Dividends distributed to shareholders from profit carried forward				
XVI. Temporary distributions of dividends according to Law no. 163/2018				
XVII. Receivables taken by assignment from legal entities*****)			2018	2019
no figures are recorded				
XVIII. Incomes obtained from agricultural activities******)			2018	2019
no figures are recorded				

Control amount F30: 113088567/1040334511

DIRECTOR,
Full name
Palamadai Vijay
Signature

Seal of the company

Drawn up,
Full name
Nastase Catalin
As
11 - Economic Manager
Signature

VALIDATED FORM

*) Subsidies for stimulating the employment (transfers from the state budget to employer) - it represents the amounts
granted to employers for paying graduates of education institutions, for stimulating unemployed persons employed before
the end of the unemployment period, for stimulating employers employing for undetermined period of time unemployed persons over 45 years old, unemployed persons supporting alone a family or unemployed persons who within 3 years since employment beginn are fulfilling the conditions for requesting partial early retirement or regular retirement, or for other situations stipulated in the legislation regarding the system of unemployment insurance and the stimulation of employment.
**) Expenses made for research-development activity, and fundamental research, applicative research, technological development and innovation respectively, set according to the provisions of the Government Ordinance no. 57/2002 regarding scientific research and technological development, approved with modifications and completions through the law no. 324/2003 with subsequent changes and amendments. The expenses will be recorded according to the (EU) Regulation for applying no. 996/2012 of the Commission from Oct. 26, 2012 for establishing the norms for applying the Decision no. 1.608/2003.EC of the European Parliament and Council regarding statistics in the field of science and technology, published in the Official Journal of the european Union, series L, no. 299/Oct. 27, 2012.
***) Expenses made for innovation according to the (EU) Regulation for applying no. 996/2012 of the Commission from Oct. 26, 2012 for establishing the norms for applying the Decision no. 1.608/2003.EC of the European Parliament and Council regarding statistics in the field of science and technology, published in the Official Journal of the european Union, series L, no. 299/Oct. 27, 2012.

****) In the category of economic agents, the entities regulated and supervised by the National Bank of Romania, the Authority for Financial SUpervision respectively, the companies re-classified in the sector of public aministration and the institutions without lucrative purpose in the service of population households will not be included.
*****) For receivables taken over by assignment from legal entities the nominal value and the aquisition cost will be recorded. For the statute of "affiliated legal entities" the provisions of art. 7 section 26 letter c) of the Law no. 2272015 regarding the Tax Code, with subsequent changes and amendments will be considered.
******) According to art. 11 from the (EU) Delegated Regulation no. 639/2014 of the Commission from Mrch 11, 2014 for completing the (EU) Regulation no. 1307/2013 of the European Parliament and Council for establishing norms regarding direct payments granted to farmers through supporting schemes within the common agriculatural policy and for modification of Annex X to the mentioned regulation, "(1) ... incomes obtained from agricultural activities are incomes obtained by a farmer from his agricultural activity within the meaning of art. 4 paragraph (1) letter c) of the mentioned regulation ((EU) R 1307/2013 within his farm, including the support from the Union from the European agricultural guarantee Fund (FEGA) and from the European agricultural fund for rural development (FEADR), as well as any national support granted for agricultural activities, except for direct national complement payments based on art. 18 and 19 from the (EU) Regulation no. 1307/2013.
Incomes obtained from preocessing agricultural produce within the meaning of art. 4 paragraph (1) letter d) of the (EU) Regulation no. 1307/2013 of the farm are considered to be incomes from agricultural activities provided that the processed produces remain the property of the farmer and such processing results in a different agricultural product within the meaning of art. 4 paragraph (1) letter d) from the (EU) Regulation no. 1307/2013.
Any other incomes are considered incomes from non-agricultural activities.
(2) Within the meaning of paragraph (1), "incomes" means gross incomes, before deduction of the costs and pertaining taxes ..."

1) The rents paid for occupied plots will be included (agricultural crops, grass land, meadows, etc.) and pertaining to
commercial spaces (terraces, etc.) belonging to private owners or units of the public administration, including rents for
using waters for recreational or other (fishing, etc.) purposes
2) The value in row "Debts with affiliated non-resident entities (from acc. 451), out of which" is NOT calculated by adding the values in rows "with initial maturity date over one year" and "commercial debts with non-resident affiliated entities regardless of maturity date (from acc. 451)"
3) In the category of "Other debts linked to physical persons and legal entities other than debts in connection to public
institutions (state institutions)" the subsidies pertaining to the incomes in the balance of acc. 472 will not be recorded.
4) Securities granting property rights over companies, which are negotiable and traded according to the law.
5) Securities granting property rights over companies, which are not and traded.
6) To be filled in by economic agents to whom the provisions of the Order of the minister of public finances and of the delegated minister for budget no. 668/2014 are applied, for approving the mentions regarding the preparation and updating of the centralized inventory of immovable assets privately owned by the state and of rights in rem which are inventorized, with subsequent changes and admendments.
7) In section "XII Paid in capital" in row 155-165 column 2 and 4, the entities will record the percentage cooresponding to the capital held from the total paid in capital recorded in row 154.
8) In this row are shown dividends distributed according to Law no. 163/2018 for the change and amendment of Law 82/1991, the change and amendment of the company's law no. 31/1990 and the change of law no. 1/2005 regarding the organisation and operation of cooperation. No dividends are recorded, whic are shown in row 166.

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SITUATION OF THE FIXED ASSETS

F40

as of 31st of December 2019

Code 40

lei

Permanent assets	Row	Gross values				
		Initial balance	Increases	Reductions		Final balance (column 5=1+2-3)
				Total	out of which, fragmentations and cassations	
A	B	1	2	3	4	5
I. Intangible permanent assets						
Incorporation and development expenses	01	0	0	0	X	0
Other permanent assets	02	45,261	5,105	36,699	X	13,667
Advances and current intangible permanent assets in process	03	0	0	0	X	0
Intangible assets for exploration and assessment of mineral resources	04	0	0	0	X	0
TOTAL (**row 01 to 04**)	05	45,261	5,105	36,699	X	13,667
II. Tangible permanent assets						
Real estate	06	0	0	0	X	0
Buildings	07	78,028	0	0	0	78,028
Technical installations and machines	08	398,137	119,877	212,732	162,132	305,282
Other installations, equipment and furniture	09	83,646	0	0	0	83,646
Real estate investments	10	0	0	0	0	0
Tangible assets for exploration and assessment of mineral resources	11	0	0	0	0	0
Biologic productive assets	12	0	0	0	0	0
Tangible assets in execution	13	72,017	0	72,017	0	0
real estate investments in execution	14	0	0	0	0	0
Advances granted for tangible permanent assets	15	0	0	0	0	0
TOTAL **(row 06 to 15)**	16	631,828	119,877	284,749	162,132	466,956
III. Financial permanent assets	17	85,708	0	0	X	85,708
PERMANENT ASSETS - TOTAL (**row 05+16+17**)	18	762,797	124,982	321,448	162,132	566,331

SITUATION OF THE AMORTIZATION OF THE PERMANENT ASSETS

Lei

Permanent assets	Row	Initial balance	Amorti-zation during the year	Amortization of permanent assets no longer registered	Amortization at year end (column 9 = 6+7-8)
A	B	6	7	8	9
I. Intangible permanent assets					
Incorporation and development expenses	19	0	0	0	0
Other permanent assets	20	43,330	1,778	36,699	8,409
Intangible assets for exploration and assessment of mineral resources	21	0	0	0	0
TOTAL **(row 19+20+21)**	22	43,330	1,778	36,699	8,409
II. Tangible permanent assets					
Real estate	23	0	0	0	0
Buildings	24	78,028	0	0	78,028

Technical installations and machines	25	338,660	58,610	212,732	184,538
Other installations, equipment and furniture	26	34,608	8,364	0	42,972
Real estate investments	27	0	0	0	0
Tangible assets for exploration and assessment of mineral resources	28	0	0	0	0
Biologic productive assets	29	0	0	0	0
TOTAL **(row 23 to 29)**	30	451,296	66,974	212,732	305,538
AMORTIZATION - TOTAL **(row 22+30)**	31	494,626	68,752	249,431	313,947

SITUATION OF THE PROVISIONS FOR DEPRECIATION

no recorded figures

Amount to control F40: 9021922 / 1040334511

DIRECTOR,
Full name
Palamadai Vijay
Signature

Seal of the company

Drawn up,
Full name
Nastase Catalin
As
11 - Economic Manger
Signature

VALIDATED FORM

The undersigned GHEORGHE AURORA, authorized translator for German and English languages based on the authorization no. 4106/2000, issued by the Ministry of Justice from Romania, hereby certify the accuracy of the translation from the Romanian language into English language, that the text was fully translated, without omissions and that through the translation the document was not changed in the content and meaning.



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To the General Meeting of

Dr. Reddy's Laboratories SA, Basel

Basel, 12 May 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Dr. Reddy's Laboratories SA, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2019.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Jauslin
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)

Kevin Hörler
(Qualified
Signature)

Licensed audit expert

Enclosures

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

Dr. Reddy's Laboratories Ltd, Basel

Balance Sheet as of	Grp no	Notes	31st Dec 2019	31st Dec 2018	31st Dec 2019	31st Dec 2018
Currency			**USD**	**USD**	**CHF**	**CHF**
ASSETS						
Current assets						
Cash and cash equivalents	1		758'784	1'339'956	734'787	1'320'907
Trade accounts receivable						
- from third parties	2		31'891'332	22'954'175	30'882'737	22'627'858
- from entities in which the entity holds a participation	4		81'288'979	111'075'494	78'718'133	109'496'445
Other short-term receivables						
- from third parties	3		4'519'710	6'191'594	4'376'770	6'103'574
- from entities in which the entity holds a participation	7		13'116'279	35'735'414	12'701'463	35'227'399
Other long-term receivables						
- from third parties	22		100'000	100'000	96'837	98'578
Inventories and non-invoiced services	5	2.1	22'457'463	10'372'112	21'747'223	10'224'662
Prepaid expenses and accrued income	6		281'941	215'111	273'025	212'053
			154'414'488	187'983'855	149'530'976	185'311'476
Non-current assets						
Financial assets	8		83'200	84'885	80'569	83'678
Investments	9	1.5	398'972'010	394'199'295	386'354'121	388'595'358
Property, plant and equipment	11		41'832	11'051	40'509	10'894
Intangible assets	10	2.2	227'816'803	471'136'319	220'611'869	464'438'645
			626'913'846	865'431'550	607'087'068	853'128'575
			781'328'334	1'053'415'405	756'618'044	1'038'440'051
LIABILITIES AND SHAREHOLDERS' EQUITY						
Short-term liabilities						
Trade accounts payable						
- to third parties	12		18'896'723	9'393'787	18'299'095	9'260'245
- to holders of participations and governing bodies	17		51'675'682	37'626'375	50'041'386	37'091'479
- to entities in which the entity holds a participation			7'261'873	3'764'201	7'032'209	3'710'689
- to other group companies			2'651'596	4'805'065	2'567'736	4'736'756
Short-term interest-bearing liabilities	13		16'300'000	33'500'000	15'784'496	33'023'764
Other short-term liabilities						
- to third parties	15	1	1'953'943	3'264'624	1'892'148	3'218'214
- to holders of participations and governing bodies	15.1	2	256'809	469'186	248'687	462'516
- to entities in which the entity holds a participation	14		41'816'935	28'840'475	40'494'432	28'430'479
Accrued expenses and deferred income	16		32'328'380	22'538'242	31'305'963	22'217'839
			173'141'940	144'201'956	167'666'153	142'151'980
Long-term liabilities						
Long-term interest-bearing liabilities	18	2.5	-	240'000'000	-	236'588'160
			-	240'000'000	-	236'588'160
			173'141'940	384'201'956	167'666'153	378'740'140
Shareholders' equity						
Share capital	19	2.4	309'021'522	108'339'522	305'640'410	105'640'410
Legal capital reserves						
- Reserves from capital contributions	20		127'077'219	127'077'219	123'911'286	123'911'286
Legal retained earnings						
- General legal retained earnings	21		17'567'802	17'567'802	17'130'000	17'130'000
Available earnings						
- Retained earning brought forward	19A		416'088'805	348'658'344	430'713'537	364'626'562
- Profit or loss for the year			(261'568'955)	67'570'561	(253'296'575)	66'086'975
- Foreign exchange translation difference					(35'146'767)	(17'695'322)
			608'186'394	669'213'449	588'951'891	659'699'911
			781'328'334	1'053'415'406	756'618'044	1'038'440'051

Dr. Reddy's Laboratories Ltd, Basel

Income statement	Grp no	Notes	2019	2018	2019	2018
			USD	USD	CHF	CHF
Revenue from sale of goods and services	23		227'743'133	287'410'485	220'540'528	281'100'071
Other operating income	24		273	-	265	-
Total operating income			227'743'406	287'410'485	220'540'793	281'100'071
Raw materials and supplies	25		(157'934'597)	(153'917'346)	(152'939'758)	(150'537'921)
Personnel expenses	26		(4'585'367)	(4'177'274)	(4'440'350)	(4'085'558)
Other operating expenses	27		(33'314'353)	(30'186'709)	(32'260'754)	(29'523'927)
R&D Expenses	27A		(37'145'611)	(30'740'659)	(35'970'843)	(30'065'714)
Depreciation and impairment losses on property, plant and equipment	28		(6'044)	(11'582)	(5'852)	(11'327)
Amortization on intangible assets	28A	2.2	(243'469'516)	(22'187'601)	(235'769'549)	(21'700'448)
Total operating expenses			(476'455'487)	(241'221'170)	(461'387'106)	(235'924'894)
Operating result			(248'712'081)	46'189'314	(240'846'313)	45'175'177
Financial income	29		1'475'367	2'666'739	1'428'707	2'608'187
Financial expenses	30		(14'245'216)	(18'750'444)	(13'794'697)	(18'338'758)
Non-operating income - Dividend Income IU	29A		-	40'795'656	-	39'899'942
Profit or (loss) for the year before taxes			(261'481'930)	70'901'264	(253'212'303)	69'344'549
Direct taxes	31		(87'025)	(3'330'703)	(84'273)	(3'257'574)
Profit or (loss) for the year			(261'568'955)	67'570'561	(253'296'575)	66'086'975

Notes

1 Principles

1.1 General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the company's going concern, the company's financial statements may be influenced by the creation and release of hidden reserves.

1.2 Inventories and non-invoiced services

Inventories and non-invoiced services are recorded at acquisition or manufacturing costs: If the net realizable value at the balance sheet date is lower than acquisition or manufacturing costs, net realizable values are used. Acquisition costs are calculated using the weighted average cost method, manufacturing costs using standard costs.

1.3 Securities and financial assets

Securities with a short-term holding period are valued at their quoted market price as at the balance-sheet date. A valuation adjustment reserve has not been accounted for. Financial assets include securities with a long-term holding period that have no quoted market price or no other observable market price. Financial assets are valued at their acquisition cost adjusted for impairment losses.

1.4 Property, plant and equipment

Property, plant and equipment (PPE) is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. With the exception of land, PPE is depreciated using the straightline method. As soon as there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

1.5 Investments

Investments are held at historical cost. The Company reviews the carrying amount of these investments annually, and if events and circumstances suggest that this amount may not be recoverable, an impairment is recognized in the statement of profit or loss.

1.6 Intangible Assets

Intangible assets are capitalized if they meet the following conditions cumulatively at the date of recognition:
- the intangible assets are identifiable and controlled by the entity;
- the intangible assets will generate a measurable benefit for the entity for more than one year;
- the expenses incurred in the creation of the intangible assets can be separately recognized and measured;
- it is likely that the resources required to complete and market or use the intangible assets for the entity's own purposes are available or will be made available.

Intangible assets are amortized using the straight-line method. As soon there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

1.7 Revenue from sale of goods and services

Sales are recognized when risks and rewards are transferred to the client or a service has been provided. Normally, this is the case upon delivery of the goods.

1.8 Leases

Leasing and rental contracts are recognized based on legal ownership. Therefore, any leasing or rental expenses are recognized as expenses in the period they are incurred; however, the leased or rented objects themselves are not recognized in the balance sheet.

Notes

2	**Disclosure on balance sheet and income statement items**	**Dec 2019**	**Dec 2019**	**Dec 2018**	**Dec 2018**
		USD	CHF	USD	CHF
2.1	**Inventories and non-invoiced services**				
	Raw materials	20’166’775	19’528’981	7’238’641	7’135’736
	Finished goods	2’290’688	2’218’243	3’133’471	3’088’926
		22’457’463	21’747’224	10’372’112	10’224’662
2.2	**Intangible assets**				
	Product related Intangibles	96’588’521	93’533’813	130’128’891	128’278’979
	Technical Knowhow Intangibles	-	-	3’931’427	3’875’538
	Others	131’228’282	127’078’056	337’076’001	332’284’129
		227’816’803	220’611’869	471’136’319	464’438’645

During the year, the Company had no additions and the Company amortised in the normal course of business USD 27m. Consequent to adverse market conditions with respect to certain of Company's products, the company recognised an impairment charge of USD 216m towards relevant product intangibles

Notes

2.3 Investments in subsidiaries

Company	*Domicile*	Capital 31.12.2019 USD	Capital 31.12.2019 CHF	Capital 31.12.2018 USD	Capital 31.12.2018 CHF	Share in Capital and 31.12.2019	Share in Capital and 31.12.2018
Dr. Reddy's Laboratories Inc.	United States of America	188'040'326	182'093'363	188'040'326	185'367'145	100%	100%
Dr. Reddy's Laboratories EU	United Kingdom	19'093'998	18'490'131	19'093'998	18'822'558	100%	100%
Dr. Reddy's New Zealand Ltd	New Zealand	1	1	1	1	100%	100%
Dr. Reddy's Laboratories International SA	Switzerland	-	-	5'230'305	5'155'951	-	100%
Dr. Reddy's Laboratories, Romania SRL	Romania	551'620	534'174	551'620	543'778	99.99%	99.99%
Dr. Reddy's Laboratories Venezuela CA	Venezuela CA	1	1	1	1	100%	100%
Dr. Reddy's Laboratories Ukraine LLC	Ukraine LLC	1'360'503	1'317'475	1'360'503	1'341'162	99.99%	99.99%
Reddy Netherlands BV	The Netherlands	51'476'837	49'848'831	51'476'837	50'745'042	100%	100%
Dr. Reddy's Laboratories New York, Inc	United States of America	46'483'953	45'013'852	42'155'356	41'556'075	100%	90%
Dr. Reddy's Laboratories Canada Inc	Canada	3'098'868	3'000'863	3'098'868	3'054'814	100%	100%
Dr. Reddy's Laboratories Proprietary Ltd	South Africa	15'694'784	15'198'420	15'694'784	15'471'667	100%	100%
OOO Dr. Reddy's Laboratories	Russia	42'501'426	41'157'276	42'501'426	41'897'226	99.99%	99.99%
Reddy Holdings GmbH	Germany	33'936	32'863	33'936	33'454	100%	100%
Lacock Holdings Ltd	Cyprus	6'150'473	5'955'959	3'333'458	3'286'070	100%	100%
Dr. Reddy's Laboratories (Australia) Pty Limited	Australia	5'526'976	5'352'179	5'526'976	5'448'405	100%	100%
Dr. Reddy's Laboratories SAS	Columbia	1'488'236	1'441'169	1'488'236	1'467'080	100%	100%
Dr. Reddy's Laboratories Japan, KK	Japan	817'431	791'579	666'922	657'441	100%	100%
Reddy Pharma SAS	France	5'705'428	5'524'988	4'028'378	3'971'111	100%	100%
Dr. Reddy's Laboratories Kazakhstan Limited Liability	Kazaksthan	1'217'497	1'178'992	1'217'497	1'200'189	100%	100%
Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd	China	1	1	1'000'000	985'784	100%	100%
Dr. Reddy's Laboratories Chile SPA.	Chile	1'000'000	968'374	1'000'000	985'784	100%	100%
Dr.Reddy's Laboratories Malaysia SD	Malaysia	750'000	726'281	750'000	739'338	100%	100%
Reddy Pharma Iberia S.A	Spain	6'891'192	6'673'251	5'220'342	5'146'129	100%	100%
Dr. Reddy's Laboratories Philippine	Philippine	200'000	193'675	200'000	197'156	99.99%	99.99%
Dr. Reddy's Taiwan Ltd	Taiwan	406'984	394'112	211'416	208'410	100%	100%
Dr. Reddy's Laboratories (Thailand)	Thailand	481'540	466'311	318'111	313'588	99.99%	99.99%
Total investments in subsidiaries		398'972'010	386'354'121	394'199'295	388'595'358		

On 16May 2019 Dr. Reddy's Laboratories SA has invested an amount of USD 150,508.86 (JPY 16.5m) in Dr. Reddy's Laboratories Japan KK towards 100% shares.

On 8 Feb. 2019, 2 Apr 2019, 13 May , 8 Jul and 10 Sep Dr. Reddy's Laboratories SA has invested an amount of USD 1,677,050 (EUR 1.5m) in Reddy Pharma SAS, France towards 100% shares.

On 17 Jun 2019 Dr. Reddy's Laboratories SA has invested an amount of USD 195,567.14 in Dr. Reddy's Laboratories, Taiwan Ltd towards 100% of shares.

On 25 April 2019, Dr. Reddy's Laboratories SA has invested an amount of USD 163,428 (THB 5.22m) in Dr. Reddy's Laboratories, Thailand towards 100% of shares.

On 8 Jul 2019, 29 Oct 2019, Dr. Reddy's Laboratories SA has invested an amount of USD 1,670,850 (EUR 1.5m) in Reddy Iberia, Spain towards as additional paid in capital.

On 27 May 2019, Dr. Reddy's Laboratories SA has invested an amount of USD 2,817,015 (EUR2.51m) in Lacock Holoding, Germany towards 100% of shares.

During the year, with effect from 01 January 2019, Dr. Reddy's Laboratories International SA, Switzerland, merged its operations into the company.

Notes

2.4 Share capital and reserves from capital contributions

As at 31 Dec, the share capital consists of 105,640,410 registered shares at a par value of CHF 1.00 each.
During the year, Company issued a 3.25% Preference share capital of CHF 200,000,000 (2,000,000 shares at CHF 100) to Dr. Reddys Laboratories Limited with a maturity date of 31st March 2022. The same is recognised in the books at historical cost of date of transaction on 26th Nov 2019. The preference shares have a forward cover contract expiring on 20th March 2022 with currency rate of 1.06055 (CHF/USD). Any loss or gain on such forward contract will be recognized to profit and loss account on the date of maturity.

2.5 Long-term interest-bearing liabilities

During the year company paid back its long-term loans of USD 240m (CHF 236.6m).

3 Other information

3.1 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 50.

3.2 Audit Fees

Audit services	54’778	53’046	47’468	46’793
Other services				
	54’778	53’046	47’468	46’793

3.3 Relevant currency for the business

In accordance with Article 958a para. 4 CO the company converted the balance sheet, income statements and financials within the notes for presentation purposes from the relevant currency for the business into the presentation currency. The general foreign currency rate applied was 0.968374 USD/CHF. The equity was translated with a historical foreign currency rate of 0.97508 USD/CHF, with new preference shares at 0.996602. The resulting translation difference is presented in the retained earnings.

3.4 Guarantees

In the ordinary course of business, the Company gives credit or performance guarantees to Banks or third parties. Based on the existing guarantee agreements payments by Dr. Reddy’s Laboratories Ltd. would be triggered in case the financial obligations could not be fulfilled. The nominal amount outstanding at 31 December 2019 was USD 5.9m (CHF 5.7m) (2018: USD 5.9m (CHF 5.8m)).

Dr. Reddy's Laboratories Ltd, Basel

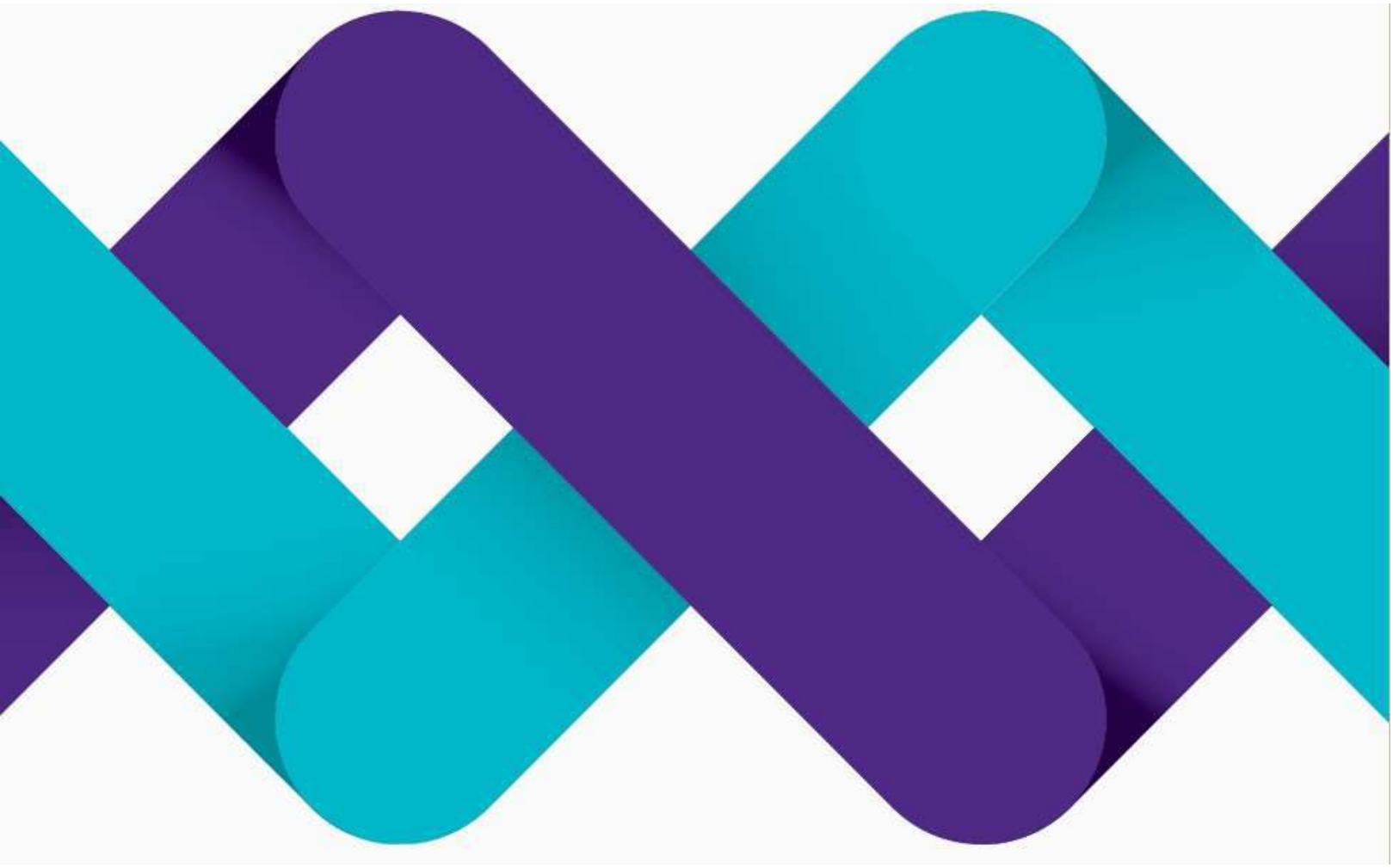
Proposed Appropriation of Available Earnings	Dec 2019	Dec 2018	Dec 2019	Dec 2018
	USD	USD	CHF	CHF
Retained earnings brought forward	416’228’905	348’658’344	430’713’537	364’626’562
Profit or (loss) for the year	-261’568’955	67’570’561	- 253’296’575	66’086’975
DRL SA International Merger profit/(Loss)	-140’101		- 135’670	
Foreign exchange translation difference			- 35’011’097	-17’695’322
Available earnings	154’519’849	416’228’905	142’270’195	413’018’215
The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:				
Dividend on preference shares	6’712’283		6’500’000	
To be carried forward	147’807’567	416’228’905	135’770’195	413’018’215
	154’519’849	416’228’905	142’270’195	413’018’215

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Individual Financial Statements

DR. REDDY´S LABORATORIES S.A.S.

As of December 31, 2019
(With comparative figures as of December 31, 2018)
Along with the Statutory Auditor's report



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Report of Statutory Auditor

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To the shareholder of DR. REDDY´S LABORATORIES S.A.S.

Report on Financial Statements

1. I have audited the financial statements of Dr. Reddy´s Laboratories S.A.S. (the "Company"), which includes the statement of financial position as of December 31, 2019, and the corresponding statements of income, changes in equity and cash flows, for the years ended on these date, together with their respective notes, which include the summary of significant accounting policies and other explanatory information.

Management's Responsibility

2. The Company's management is responsible for the preparation and proper presentation of the financial statements and their explanatory notes, in accordance with the Accounting and Financial Information Standards (Group II IFRS SMEs). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements so that they are free of material misstatement, whether due to fraud or error; select and apply appropriate accounting policies; and establish accounting estimates that are reasonable in the circumstances.

Statutory Auditor's Responsibility

3. One of my functions is to express an opinion on the financial statements based on my audit, for which I conducted my examination in accordance with International Auditing Standards. Such standards require that I comply with ethical requirements, plan and conduct my audit to obtain reasonable assurance about whether the financial statements are free of material errors.

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4. An audit of financial statements includes, among other procedures, the examination, on a selective basis of the evidence supporting the figures and disclosures in the financial statements. The procedures selected depend on the Statutory Auditor's judgment, including the assessment of the risk of material errors in the financial statements. In the process of conducting this risk assessment, the Statutory Auditor should consider the relevant internal controls for the entity to prepare and present adequately the financial statements, in order to design audit procedures that are adequate in the circumstances. In addition, it includes an evaluation of the use of appropriate accounting policies and the reasonableness of the significant accounting estimates made by the Company's Management and the complete presentation of the financial statements as a whole. I believe that the audit evidence that I obtained provides me with a reasonable basis to support the opinion I express about the financial statements below.

Opinion on the Financial Statements

5. In my opinion, the financial statements mentioned in the first paragraph, taken faithfully from the accounting books and attached to this opinion, reasonably present, in all aspects of material importance, the financial situation of Dr. Reddy´s Laboratories S.A.S as of December 31, 2019, and the results of its operations and cash flows, for the year ended on these date, in accordance with the Accounting and Financial Information Standards (Group 2 IFRS SMEs).

Emphasis paragraph

6. Without implying a modification to my report, as described in Note 22 to the financial statements, during 2020 and up to the date of this report, the following events have occurred after the closing as of December 31, 2019 subsequent:

   a. a. The spread in Colombia and the world of the Coronavirus COVID-19, as a pandemic that affects the health of all exposed people. As of the date of this report, the effect that this global health situation may have on global and local markets is unknown, and consequently on the Company's results, cash flows and financial situation.

   b. The devaluation of the Colombian peso that has significantly affected the exchange rate in Colombia to historical levels that exceed $ 4,000 COP, which represents an additional 22% to the exchange rate as of December 31, 2019. This situation increases the indebtedness of the companies, and the cost of imported inventories.

Other issues

7. The financial statements for and for the year ended on December 31, 2018 are presented exclusively for comparative purposes, which were audited by me, in whose report dated February 28, 2019, I expressed an unqualified opinion.

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Report on other legal requirements

8. Also, based on my audit evidence, I report that:

   a. During the year 2019, the Company kept its accounting in accordance with legal regulations and accounting techniques; and the stock record book, the transactions recorded in the books were in accordance with the articles of incorporation and the decisions of the Shareholders' Meeting and the correspondence and vouchers of the accounts were kept and duly preserved.

   b. There is due agreement between the accompanying financial statements, their explanatory notes and the Management Report that the Directors present for the consideration of the highest corporate body.

   c. The information contained in the self-assessment forms for contributions to the General Social Security System is correct and the Company is not in default due to contributions to the System as of December 31, 2019.

   d. I have no evidence of restrictions imposed by the Company's Management on the free circulation of invoices issued by vendors or suppliers.

   e. In development of the responsibilities of the Statutory Auditor contained in Numbers 1 and 3 of Article 209 of the Code of Commerce, related to the evaluation of whether the acts of the Company's directors are in accordance with the statutes and the orders and instructions of the Shareholders' Meeting, and whether there are and are adequate measures of internal control, conservation and custody of the Company's assets and those of third parties in its possession, I issued a separate report dated March 26, 2020.



CLAUDIA PILAR ROMERO SABOYÁ
Statutory Auditor
Professional Card No 157.592-T
Representing Servicios de Auditoría y Consultoría de Negocios S.A.S.
Bogotá D.C.

March 26, 2020

2020 – 1643

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Report of the Statutory Auditor on the Compliance with the Numerals 1 and 3 of Article 209 of the Commercial Code

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To the Shareholder of Dr. Reddy´s Laboratories S.A.S.

1. In compliance with my legal duties as Statutory Auditor and in compliance with the provisions of numerals 1 and 3 of Article 209 of the Commercial Code for the year 2019, I executed the procedures that I describe below, in order to report on whether the acts of the managers of Dr. Reddy's Laboratories S.A.S, conform to the statutes and the orders or instructions of the Shareholders' Meeting; likewise, report on whether there are and are adequate measures for internal control, conservation and custody of the assets of the company or third parties that are in its possession.

2. The referents that I have considered for the evaluation of the matters referred to in the previous paragraph, include a. The bylaws and Shareholders' Meeting minutes; and b. The internal control components of the Company identified during my review, such as: control environment, risk assessment process by the entity, information systems, control activities and follow-up to the controls that the Management and government officials of the Company they consider necessary for the adequate and timely preparation of its financial information.

Management's Responsibility

3. The Management is responsible for establishing and maintaining an internal control system, and for compliance with the bylaws and instructions of the Shareholders' Meeting. To fulfill these responsibilities, Management's judgments are required to evaluate the expected benefits and the associated costs of the control procedures.

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4. The objectives of an internal control system are to provide the Management with reasonable, but not absolute, security for the safeguarding of assets against their loss from use or unauthorized disposition, and that transactions are executed in accordance with the authorization of the Management and properly recorded to allow the preparation of the financial statements in accordance with the Accounting and Financial Information Standards (Group 3 IFRS SMEs)

Statutory Auditor's Responsibility

5. My responsibility in accordance with the Information Assurance Rules accepted in Colombia, is to make a review to express a conclusion, based on the procedures performed and the evidence obtained as a result of my work.

6. The Information Assurance Standards require that I comply with ethical requirements, plan and carry out the procedures I deem necessary in order to express a concept about compliance with the bylaws, orders or instructions of the Shareholders' Meeting, and if there are and the measures for internal control, preservation and custody of the assets of the Company or of third parties that are in their possession as of December 31, 2019 and for the year ending on that date, are adequate in all important aspects of evaluation.

Procedures performed

7. The procedures selected for this work depend on the judgment of the auditor, including the compilation, evaluation of evidence and the formation of conclusions. These procedures took into consideration the management's statements expressed in a letter dated March 26, 2020, and included: a. Reading of the Shareholders' Meeting minutes and verification that the decisions taken are in accordance with the bylaws: b. Inquiries with the Management about changes or modification projects to the Company's bylaws during the period covered and validation of their implementation; c. Design and implementation tests on the relevant controls of the internal control components on the financial report and the elements established by the Company; d. Evaluation of audit risk with respect to the main activities carried out by the entity in order to obtain reasonable, but not absolute security, that the financial information of the entity is prepared in accordance with Accounting and Financial Reporting Standards adopted in Colombia; e. Evaluation of the evidence on the relevant controls to initiate, register, and correct, if necessary, the transactions and its registration in the information system; f. Tests on the design, implementation and operational effectiveness of the relevant controls, in the auditor's judgment, made in the main business cycles of the Company and significant accounts of the financial statements; g. Evaluation of the process of preparing the financial information used by the Company, including the relevant controls on assumptions for the determination of the accounting estimates and the significant information to disclose; and h. Follow-up of the corrective measures taken by the Company to mitigate the material deficiencies of its controls.

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Inherent limitations

8. The effectiveness of any internal control system has inherent limitations to that system. Such limitations refer, among others, to: a. Misinterpretation of instructions, errors of judgment, carelessness and other human factors that can cause errors; b. Wrong segregation of functions that reduce the effectiveness of controls; and c. Determinations that may impair the control procedures related to the execution and records of transactions or with respect to estimates and judgments that are required for the preparation of financial statements. In addition, the effectiveness of internal controls may vary from one period to another due to changes in conditions or due to non-compliance with the established procedures.

9. Due to the inherent limitations of the structure of internal control, including the possibility of collusion or omission of controls by the Management, the study and evaluation performed on the entity's internal control system will not necessarily discover all the weaknesses of the system.

10. It is possible that the results of my review procedures may be different or change in status during the period evaluated, because my report is based on selective tests conducted during the period. Additionally, the projections of any evaluation of internal control to future periods are subject to the risk that controls become inadequate due to changes in the conditions or deterioration in the degree of compliance with established policies or procedures.

Conclusion

11. Based on my review, the evidence obtained from the work described above, and subject to the inherent limitations raised, in my capacity as Statutory Auditor reported that during 2019, the acts of the Company's Management conform to the statutes and the decisions of the Shareholders' Meeting, and there are and are adequate the measures of internal control, conservation and custody of the assets of the Company or third parties that are in its possession.



CLAUDIA PILAR ROMERO SABOYÁ
Statutory Auditor
P.C. 157.592-T
Assigned by Servicios de Auditoría y Consultoría de Negocios S.A.S.

Bogotá D.C.
March 26, 2020.

2020-1644

Certification of Financial Statements

Avinash Mishra acting as Legal Representative and María Elena Aponte as Accountant of Dr. Reddy's Laboratories S.A.S., we declare that the financial statements: statement of financial position as of December 31, 2019, income statement, statement of changes in equity, and the statement of cash flows, together with their explanatory notes for the year ended December 31, 2019, were prepared based on International Financial Reporting Standards, applied comparatively with the previous year, ensuring that they reasonably present the financial situation at December 31, 2019.

We also confirm that:

The figures included in the aforementioned financial statements and in their explanatory notes were faithfully taken from records that support the accounting of Dr. Reddy's Laboratories S.A.S.

- There have been no irregularities involving members of the administration that may have a material relative effect on the financial statements or their explanatory notes.

- We ensure the existence of quantifiable assets and liabilities, as well as their rights and obligations recorded in accordance with document cuts, accumulation and accounting compensation of their transactions in the year ended December 31, 2019 and evaluated under methods of recognized technical value.

- We confirm the integrity of the information provided, with respect to the fact that all the economic facts have been recognized in the financial statements and their explanatory notes.

- The economic events have been recorded, classified, described and disclosed within the financial statements or their explanatory notes including the encumbrances and restrictions of the assets, real liabilities and contingencies, as well as the guarantees that have been given to third parties.

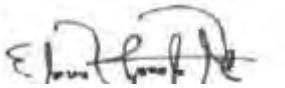
- The information contained in the self-assessment forms for contributions to the general comprehensive social security system is correct, according to the legal provisions, Dr. Reddy's Laboratories S.A.S., is not in default for contributions to the aforementioned system.

- There have been no events subsequent to December 31, 2019 that require adjustment or disclosure in the Financial Statements or in their explanatory notes.

Cordially,



Avinash Mishra
Legal Representative



María Elena Aponte
Accountant T.P. 267.891 –T

Bogotá, D.C.
March 26, 2020

Financial Situation Statement

As of December 31, 2019
(With comparative figures as of December 31, 2018)
Figures expressed in thousands of Colombian pesos

	Notes	December 31 2019	2018
Assets			
Current assets			
Cash and cash equivalents	**6**	**1,281,332**	849,117
Trade accounts receivable and other accounts receivable	**7**	**10,709,245**	8,249,605
Assets for taxes and contributions	**8**	**938,774**	897,428
Inventories	**9**	**3,328,437**	4,736,791
Total current assets		**16,257,788**	14,732,941
Non-current assets			
Properties, plant and equipment	**10**	**614,159**	464,156
Deferred tax assets	**14**	**336,118**	478,961
Total non-current assets		**950,277**	943,117
Total assets		**17,208,065**	15,676,058
Liabilities and equity			
Total non-current assets			
Trade accounts payable and other accounts payable	**12**	**7,920,614**	8,312,043
Current taxes payable	**13**	**11,130**	9,477
Liability for employee benefits	**15**	**230,027**	214,528
Total current liabilities		**8,161,771**	8,536,048
Non-current Liabilities			
Financial Obligations	**11**	**3,604,854**	3,574,725
Total Non-current Liabilities		**3,604,854**	3,574,725
Total Liabilities		**11,766,625**	12,110,773
Equity	**16**	5,441,440	3,565,285
Total equity		5,441440	3,565,285
Total liabilities and equity		**17,208,065**	15,676,058

Avinash Mishra
Legal Representative
(See attached Certification)

María Elena Aponte
Accountant P.C. No 267891-T
(See attached Certification)

Claudia Pilar Romero
Statutory Auditor P.C. No. 157592-T
Assigned by Servicios de Auditoría y Consultoría de Negocios S.A.S.
(Ver See attached report)

Statement of Comprehensive Income

As of December 31, 2019

(With comparative figures as of December 31, 2018)

Figures expressed in thousands of Colombian pesos

	Notes	2019	2018
Ordinary activities income	**17**	**23.075.988**	16.573.087
Sales cost	**18**	**(11.904.650)**	(9.688.514)
Gross profit		**11.171.338**	6.884.573
Administration expenses	**19**	**(7.560.794)**	(5.869.086)
Sales expenses - ICA Tax		**(109.531)**	(78.904)
Financial expenses	**20**	**(683.065)**	(1.223.749)
Financial income		**634**	0
Profit (loss) before taxes		**2.818.582**	(287.166)
(Expense) for Income Tax and Complementary	**13**	**(799.584)**	(35.779)
(Expense) Income for deferred taxes	**14**	**(142.843)**	215.173
Net Profit (Loss) for the year		**1.876.155**	(107.772)
Net profit (loss) per share - in thousands of pesos		**41,09**	(4,87)

Avinash Mishra
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(Ver See attached report)

Statement of Changes in Equity

As of December 31, 2019

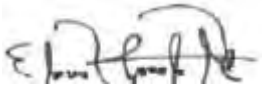
(With comparative figures as of December 31, 2018)

Figures expressed in thousands of Colombian pesos

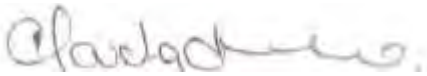
	Subscribed and paid capital	Results from previous fiscal years	Net Result for the year	Total
Balance as of December 31, 2017	**2,181,400**	**(2,593,652)**	**1,701,009**	**1,288,757**
Equity increase - 23,843 shares	2,384,300	0	0	2,384,300
Transfer of results from previous years	0	1,701,009	(1,701,009)	0
Net profit of the year	0	0	(107,772)	(107,772)
Balance as of December 31, 2018	**4,565,700**	**(892,643)**	**(107,772)**	**3,565,285**
Transfer of results from previous years	0	(107,772)	107,772	0
Net profit of the year	0	0	1,876,155	1,876,155
Balance as of December 31, 2018	**4,565,700**	**(1,000,415)**	**1,876,155**	**5,441,440**



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(Ver See attached report)

Cash Flow Statements (Indirect Method)

As of December 31, 2019

(With comparative figures as of December 31, 2018)

	2019	2018
Net profit (loss) for the year	**1,876,155**	(107,772)
Adjustments for income and expenses that did not require use of cash:		
Depreciation of property, plant and equipment	**134,528**	140,931
Loss due to deterioration of debtors	**35,908**	260,486
Loss due to deterioration of inventories	**297,280**	457,429
Difference in change, net	**379,410**	554,992
Deferred tax of the period	**142,843**	(215,173)
(Increase) in commercial accounts receivable and other accounts	**(2,536,894)**	(3,700,946)
Decrease (increase) in inventories	**1,111,074**	(1,808,237)
(Decrease) increase in accounts payable and other accounts	**(770,839)**	1,438,783
Increase (decrease) in current taxes payable	**1,652**	(19,951)
Increase in liabilities for employee benefits	**15,499**	16,372
Net cash (used) by operating activities	**686,616**	(2,983,086)
Cash flows provided (used) in investing activities		
Fixed asset purchases	**(285,430)**	(504,823)
Sale of property, plant and equipment	**0**	21,247
Net adjustments and reclassifications in fixed assets	**899**	0
Net cash (used) from investing activities	**(284,531)**	(483,576)
Loan and interest payments	**0**	(96,035)
Increase in recording of interest on financial obligation	**30,130**	
Capitalization	**0**	2,384,300
Net cash provided by financing activities	**30,130**	2,288,265
Net increase (decrease) in cash and cash equivalents	**432,215**	(1,178,397)
Cash from and cash equivalents at the beginning of the year	**849,117**	2,027,514
Cash **and cash equivalents at the end of the year**	**1,281,332**	849,117

Avinash Mishra
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(Ver See attached report)

Accounting Policies and Explanatory Notes to the Individual Financial Statements

Al December 31, 2019
(With comparative figures as of December 31, 2018)
Expressed in thousands of Colombian pesos

Note 1. Nature of operations

The Company Dr. Reddy's Laboratories S.A.S., was established according to Colombian laws on November 4, 2014 in the city of Bogotá, Colombia and its term of legal duration is indefinite. Its main domicile is in the city of Bogotá at Ave. Carrera 7 No. 155 C 30. Its main activity is the manufacture, distribution and sale in the territory of the Republic of Colombia or abroad of any type of vaccines, chemical products, pharmaceutical, functional food, cosmetic and physiological, reagents, antibiotics for human use.

In the period 2019, Dr. Reddy's Laboratories S.A.S presented a series of positive advances, due to the management that the Company has given to competitive conditions, offering in its portfolio a variety of affordable products, which have had great recognition and acceptance in the sector; this as a result of a team's good work that transcends borders, where despite the demands in Colombian regulation, legal processes, competitiveness in the marketing and sales sector and the good business management, has allowed the products, which are ultimately the support of a joint effort, to reach our clients and generate the recognition that allows the Company's positioning.

Currently, the pharmaceutical market in Colombia is presenting a dynamic growth, both for generic drugs, patented drugs and OTC products; this behavior in the country is an opportunity for the advancement and growth of the Company.

It is planned to launch new products, expanding the portfolio and meeting the needs presented in the sector, seeking new strategies that allow the Company to be at the forefront, innovating and working with technological tools.

Ongoing business

In preparing the financial statements, the management has evaluated the ability of Dr. Reddy's Laboratories S.A.S. to continue operating, considering all the information available on the future, which covers at least the following twelve months from the date on which it is reported, without limiting itself to said period, concluding that the Company will continue operating and not will have significant changes in the financial statements figures, which have been determined under the ongoing concern principle.

Note 2. Declaration of compliance with the IFRS for SMEs

The individual financial statements of the Company Dr. Reddy's Laboratories S.A.S, corresponding to the years ended on December 31, 2019 and 2018 have been prepared in accordance with the Accounting and Financial Reporting Standards adopted in Colombia (NCIF), established in the Law 1314 of 2009, for preparers of financial information belonging to Group 2, regulated by the Single Regulatory Decree 2420 of 2015 modified by Decree 2496 of 2015. The NCIF are based on the International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs), issued by the International Accounting Standards Board (IASB). The base standard corresponds to that translated into Spanish and issued as of December 31, 2015 by the IASB.

The financial statements are presented in thousands of Colombian pesos, COP.

Note 3. Summary of significant accounting policies

3.1. General considerations

The main accounting policies that have been used in the preparation of these financial statements are summarized below:

3.2. Foreign currency

3.2.1. Functional and presentation currency

Functional currency: Colombian pesos

The functional currency of the Company is the Colombian peso, given that it is the currency of the main economic environment in which it generates and uses cash. Therefore, the Company manages its accounting records in such currency, which, in turn, is the one used for the presentation of the financial statements.

3.2.2. Transactions and balances in foreign currency

Transactions with foreign currencies are translated into Colombian pesos using the exchange rates prevailing on the dates of the transactions (spot exchange rate). Exchange gains and losses resulting from the liquidation of such operations and the modification of the measurement of monetary items at the exchange rate at the end of the year are recognized in income as income or expenses for exchange differences. The dollar peso exchange rate as of December 31, 2019 was COP 3,277.14 per USD 1 (2018 – COP 3,249.75 for each USD 1) and the average dollar peso exchange rate for 2019 was COP 3,281.09 for each USD 1 (2018 - COP 2,956.55 for each USD 1).

3.3. Cash and cash equivalents

Cash is included in all monies that the Company has available for its immediate use in cash, checking accounts and savings accounts and are kept at their nominal value.

Investments with a maturity of less than three months, highly liquid and held to fulfill short-term payment commitments are included in the cash equivalents. They are valued at market prices.

3.4. Financial instruments

3.4.1. Accounts receivable

Sales are made under normal credit conditions without accruing interest, and accounts receivable are initially recognized at their transaction price. Subsequently, they are measured at amortized cost using the effective interest method, less accumulated impairment.

When there is objective evidence that the amounts recorded for accounts receivable are not recoverable, the impairment loss is recognized in Income or results.

3.4.2. Financial obligations

Financial obligations are recognized when the Company receives the proceeds of the loan. They are measured at initial recognition at their nominal value, net of the costs incurred in the transaction. In their subsequent measurement, they are valued at amortized cost based on the debt's effective interest rate. Any difference between each valuation is recognized as financial expenses. Financial obligations are removed from the liability when they are paid, settled, or expired.

3.4.3. Suppliers and accounts payable

Suppliers and accounts payable correspond to obligations agreed in normal credit conditions and have no interest. They are recognized when the Company has acquired an obligation generated by receiving the risks and benefits of purchased goods or by receiving the agreed services, measuring them by the value agreed with the supplier. They are subsequently measured at amortized cost.

3.4.4. Withdrawal of financial assets

Financial assets are removed from the financial statements when the contractual rights to receive the cash flows from the asset expire, or when the financial asset and substantially all the risks and benefits have been transferred. Usually, this occurs when the money is received as a result of the settlement of the instrument or the payment of the debit balance.

If the Company does not transfer or substantially retain all the risks and advantages inherent to the property and continues to retain control of the transferred asset, it recognizes its participation in the asset and the associated obligation for the amounts it has to pay. If it retains substantially all the risks and advantages inherent in the ownership of a transferred financial asset, it continues to recognize the financial asset and, also recognizes a collateral loan for the income received.

The difference between the book value of the financial asset and the value of the consideration received and to be received is recognized in the results.

3.4.5. Impairment of financial assets

All financial assets, except those that are carried at fair value through profit or loss, are reviewed for impairment at least at the end of each year to determine if there is objective evidence of their impairment.

Significant accounts receivable are considered for impairment analysis on an individual basis when those accounts are past due or when there is objective evidence that a customer will default as a result of one or more events occurring after the initial recognition of the asset that impact the estimated future cash flows of the debt balance. Other accounts receivable are analyzed collectively by grouping them according to similar credit risk characteristics.

If there is objective evidence that an impairment loss has been incurred, the future cash flows to be recovered are estimated by means of an analysis and projection that considers the impairment probability and the estimate of the value that will not be recovered based on the analysis of all the factors that affect the financial asset. When the present value of the estimated future cash flows to be recovered, discounted using the original effective interest rate of the asset is less than the carrying value of the financial asset, an impairment loss is recognized in a sub-account of the asset with a charge to the profit and loss for the period.

If, in a subsequent period, the value of the impairment loss decreases as a consequence of an event that occurred after the impairment was recognized, the reversal of the impairment loss is recognized in profit or loss.

3.5. Inventories

Dr. Reddy's Laboratories S.A.S., recognizes as inventories the goods acquired for which it is expected to obtain economic benefits in future periods, through their use (consumption) and / or sale.

Inventories are measured at the lower of the cost and their estimated sales price minus the costs of termination and selling expenses, using the average method. The cost includes the net purchase cost of discounts, rebates and similar plus all necessary expenses incurred to give them their condition and location. In the case of manufactured products, the costs include the expenditures causally related to their production and a part of the fixed indirect costs assigned based on the normal production capacity.

In the case of imports, their purchase cost is recognized at the exchange rate of the date on which the risks and benefits of the inventory are received, in the case of purchase of inventory from group companies, the inventory is recognized at the date of purchase invoice of the supplier, in all cases without intervening the agreed negotiation term.

3.6. Properties, plant and equipment

The elements of property, plant and equipment are initially measured at cost, which includes the purchase price, net of discounts and rebates, plus all costs directly attributable to the location of the asset in the place and conditions necessary for it to be able to operate in the manner intended by management.

Depreciation is calculated on the depreciable amount of the asset, using the straight-line method based on the following useful lifes:

Type of asset	Useful life in years
Vehicles	4 years
Telecommunications equipment	3 years
Office equipment	8 years
Computer equipment	3 years
Improvements in third party's property	8 years

Considering that the Company intends to use the assets throughout their life, no residual value is determined.

The useful life of the assets is reviewed annually, and if there are significant changes, the depreciation is revised prospectively to reflect the new expectations.

Expenses for minor repairs, normal maintenance of the assets and all those activities that maintain the service and ability to use the asset under normal conditions are charged to expenses of the period.

The book value of an item of properties, plant and equipment is removed from the assets when it is sold or transferred to a third party, transferring the risks and benefits and / or when no future economic benefits are expected from its use or sale. Gains or losses arising from the removal are recognized in income as part of "other income or other expenses," as appropriate.

Spare parts, auxiliary equipment and permanent maintenance equipment are recognized as properties, plant, and equipment when their use is expected to be more than one year, and their individual value exceeds 1 valid legal monthly salary in force (SMMLV). Otherwise they are treated as expenses.

The expenditures for minor repairs, normal maintenance of assets and all those activities that maintain the service and ability to use the asset in normal conditions are charged to expenses for the period.

The book value of an item of property, plant and equipment is withdrawn from the assets when it is sold or assigned to a third party, transferring the risks and benefits and / or when it is not expected to obtain future economic benefits from its use or sale. Gains or losses arising from this withdrawal are recognized in income as part of "other income or other expenses," as appropriate.

3.7. Impairment of the non-financial assets value

At the end of each year, the Company evaluates whether there is any indication of impairment of the value of an individual asset to the extent that it generates cash flows independently, or cash generating units. If there are indications of a possible impairment, the recoverable value of any affected asset (or cash generating units) is estimated and compared with its book value, except for capital gains. If the estimated recoverable value is lower than the net book cost of the asset (individual or cash generating unit), its carrying amount is reduced to the estimated recoverable value, and a loss for impairment is recognized, which is recorded in the results as expenses or through a decrease in the surplus for revaluation of assets, if any.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) increases until the revised estimate of its recoverable value, without exceeding the value that would have been determined had no loss been recognized for impairment of value of assets in previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.8. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and benefits incidental to ownership of the leased asset. Therefore, at the beginning of the lease, an asset (property, plant and equipment, intangible assets or investment property, as applicable) is recognized at the fair value of the leased asset or, if it is less than the present value of the minimum lease payments. A similar value is recognized as a financial lease liability within the financial obligations.

The lease payments are divided between the financial charge and the reduction of the lease obligation, in order to achieve a constant interest rate on the remaining balance of the liability. The financial charge is recognized as financial expenses in the income statement.

For the assets held in finance leases the policies are applied in the same way as for the assets that are owned by the Company.

The rest of the leases are treated as operating leases, proceeding to recognize the quotas agreed on in the result of the period on a straight-line basis over the term of the lease.

3.9. Income tax

The tax expense recognized in the income of the period includes the sum of the current taxes for the concept of the current income tax and the surtax to the income and supplementary tax, and the deferred tax. The current income tax and the surcharge are calculated based on the net income, using the tax laws enacted and in force on the annual closing date, which differs from the accounting income reflected in the financial statements.

Assets and / or liabilities for current taxes comprise the obligations or claims of the tax authorities in relation to the periods of current or previous reports that are pending payment at the annual closing date. The Management periodically evaluates the position assumed in the tax returns, regarding situations in which the tax laws are subject to interpretation. The Company, when applicable, recognizes the amounts it expects to have to pay to the tax authorities.

Deferred tax assets and liabilities are calculated based on temporary differences between the book value of assets and liabilities and their tax base, to the that they are expected to increase or decrease the taxable profit in the future.

Deferred tax assets and liabilities are calculated, without discounting, at the tax rates expected to be applied in the respective period of realization. The deferred tax is recognized in profit or loss for the period, except in the case of items that are recognized in equity or in other comprehensive income, in which case the tax is also recognized in equity or in other comprehensive income, respectively.

The deferred tax asset is only recognized to the extent that the existence of future tax benefits against which the temporary differences that generate it are probable. The foregoing is determined based on the Company's projections on future operating results, adjusted for significant items that are reconciled for the fiscal result and for the limits on the use of tax losses or other fiscal assets pending application.

The book value of deferred income tax assets is reviewed on each reporting date and adjusted as necessary to reflect the current assessment of future tax earnings.

3.10. Employee benefits

The Company's labor obligations include short-term benefits.

3.10.1. Short-term benefits

The short-term benefits include salaries, severance, vacation, legal premium, interest on severance and all those items that remunerate the service provided by employees to the Company and that are expected to be fully liquidated before the twelve months following the annual closing date in which is informed that the employees have provided the related services.

These benefits are recognized to the extent that the employee provides services to the Company and are measured by the value established in the labor standards and / or in the individual agreements established between the employee and the Company.

3.11. Provisions and contingencies

Provisions comprise estimates of probable and quantifiable losses for claims on the Company and provision for decommissioning. Their recognition is made when there is a present legal or assumed obligation as a result of past events, it is probable that the outflow of resources will be required for payment and its value can be estimated reliably.

Provisions are measured at the present value of the disbursements that are expected to be required to settle the obligation, using the average interest rate of the Company's bank credits as the discount rate. The existing provisions are updated annually, and their value is recognized as financial expenses in the part that reflects the passage of time and as expenses the part that reflects an adjustment in the estimate of the provision.

The contingencies of profits in favor of the Company are not recognized until the certainty of obtaining the economic benefit of them is assured.

3.12. Subscribed and paid capital and additional paid-in capital

The share capital represents the nominal value of the shares that have been issued.

Incremental costs directly attributable to the issuance of new shares are recognized in equity as a deduction from the amount received, net of taxes.

The capital surplus corresponds to the share issue premium and is determined as the difference between the value of the placement of the shares and their nominal value.

Dividends distributions payable to shareholders are recognized as accounts payable when the dividends are declared by the Shareholders' Meeting.

3.13. Reserves

Appropriations authorized by the General Shareholders' Meeting are recorded as reserves, charged to the results of the year for compliance with legal provisions. Its recognition is made at the moment in which the Shareholders' Meeting approves the appropriation.

3.14. Recognition of revenue from ordinary activities

Revenues are measured by reference to the fair value of the payment received or to be received from the goods supplied or the services provided by the Company, net of rebates, commercial discounts and the like. The accounting policy for each income group is as follows:

3.14.1. Product sales

Revenues from ordinary activities, from the sale of generic drugs for the oncology, anti-infectious and haematology sectors in the country, are recognized when the goods are delivered and their property has changed, which occurs with the actual delivery of the goods. The acknowledgment is made through the sales invoice when the buyer states through purchase order his willingness to purchase the products and in this way at the time of delivery of the goods signs as a sign of acceptance the invoice and thus acquires ownership about them.

The measurement of income is made by the gross price agreed between the parties, elaborating, as the case may be, credit notes and / or provisions recognizing all the trading conditions (except the commissions), regardless of the degree of possibility that these are given or not. The following are the transactions that are recorded as a lower value of income: a. Commercial discounts; b. Financial discounts; c. Discounts by volume; d. Returns. With this practice, the Company will always have the value of the net sales of the period.

3.15. Recognition of costs and expenses

The Company recognizes its costs and expenses to the extent that economic events occur in such a way that they are systematically recorded in the corresponding accounting period (accrual), regardless of the time of payment.

3.16. Classification into current and non-current assets and liabilities

The Company classifies as current assets those items that: i) Expects to make, sell or consume in its normal operating cycle, which is 12 months, ii) Maintains mainly for trading purposes, iii) Expects to perform within the following twelve months after the reporting period, or iv) They are cash or cash equivalent. All other assets are classified as non-current.

The Company classifies as current liabilities those items that: i) Expects to settle in its normal operating cycle, which is 12 months, ii) Maintains mainly for trading purposes, iii) They must be settled within twelve months following the date of the period reported, or iv) They do not have an unconditional right to postpone their payment at least in the twelve months following the closing date. All other liabilities are classified as non-current.

Note 4. Key assumptions of the uncertainty in the estimation

When preparing financial statements, the Management assumes a series of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. These judgments and estimates are evaluated periodically based on experience and other factors. Actual results may differ from the estimates made and may require significant adjustments in the book value of the affected assets and liabilities.

The most significant estimates correspond to:

4.1. Debtors impairment

The situation of each debtor at the date of the financial statement is considered, as well as his characteristics, maturities, financial difficulties, economic environment in which he /she operates, among others. The Company has updated financial information of each of its clients. Based on these analyses and information, for each debtor, the estimated future flows to be received are made, which are discounted at the debtor's original effective interest rate, thus finding the present value, which it is compared with the book value, being the difference the impairment of value.

The debtors' impairment of value can be modified in the future due to economic, legal and market situations that affect the debtors and their future payment.

4.2. Inventory impairment

The net realizable values of the inventories are determined taking into consideration the most reliable evidence that is available at the date of the annual closing regarding the inventory status, expected sale prices, market situation, among others.

The future execution of these inventories may be affected by changes in the market, in technology and in the habits of consumers that can reduce sales prices.

Inventories are evaluated to determine the impairment in value at each reporting date. Impairment losses due to the progressive expiration of inventory products are recognized immediately in profit and loss and are shown in cost of sales.

One unit of each lot imported / traded will be retained in order to have a sample for analysis in the event of an adverse event. This sample will be retained for 5 years. At the end of this term and as long as no novelty is presented, the sample will be destroyed.

4.3. Impairment of properties, plant and equipment

In the impairment assessment, the Company determines the recoverable value of each asset or cash generating unit based on the greater, between the use value and net fair value of the assets. In the determination of the use value, estimates of the expected future cash flows are made and an interest rate is determined to calculate its present value.

The uncertainty of the estimate is related to the assumptions about the future operating results generated by the asset, as well as the determination of an adequate discount rate. On the other hand, the fair value of the assets may be affected by changes in the market or in the conditions and use of the assets.

4.4. Provisions

The estimation of the provisions to meet probable and quantifiable litigation is made based on the status of each process and the determination of possible outcomes using the legal criteria provided by the Company's attorneys at the closing date. The information may change in the future in accordance with the decisions of the judges and the existence of new information of each lawsuit.

The estimate of the provision for decommissioning starts from an analysis at the date of the annual closing of the activities to be carried out in the future, the current cost with reference to the market, projected based on estimated rates of growth of the same and discounted based on the rate of the yield curve of government securities. These variables may change in the future according to the economic evolution of the rates and related costs.

4.5. Income tax and deferred income tax

The tax expense recognized in the results of the period includes the sum of current income tax and the deferred tax. The current income tax is calculated based on the net income, respectively, in accordance with the tax legislation in force at the closing date of the financial statements.

Deferred tax assets and liabilities are calculated on the temporary differences between the book value of assets and liabilities and their tax base, to the extent that they are expected to increase or decrease the taxable profit in the future.

The book value of deferred income tax assets is reviewed on each reporting date and adjusted as necessary to reflect the current assessment of future tax earnings.

Note 5. Objectives and risk management policy

The Company is exposed to various risks related to financial instruments, such as liquidity, currency, interest rate and credit risks. The Company does not carry out trading activities for speculative purposes.

Quantitative and qualitative information is reported below for each of the financial risks.

- Exposures to risk and how they arise;
- Its objectives, policies and processes for risk management, as well as the methods used to measure it;
- Summarized quantitative data about their risk exposure at the closing of 2019; and
- Risk concentrations

Liquidity risk

Liquidity risk is that the Company may not be able to meet its obligations, therefore, the expected cash flows of financial assets should be considered when evaluating and managing liquidity risk, particularly its cash resources and its accounts receivable. The Company manages its liquidity needs by monitoring the payments that must be made of both debt and interest; as well as preparing forecasts of cash inflows and outflows in weekly, monthly, quarterly and annual terms with horizons of up to five years.

The parent company analyzes the cash needs of each company on a monthly basis, plus an additional quarter and it ensures that each of them has sufficient liquidity to meet their obligations. If a financing need is detected in a company, the most appropriate way of providing funds to said company is studied from the parent company seeking local financing or supported directly from the parent company.

The Company's existing cash resources and accounts receivable exceed the current cash flow requirements. Cash flows from customers and other accounts receivable expire contractually in the first six months.

As of December 31, 2019, the financial liabilities of Dr. Reddy's Laboratories S.A.S., have contractual maturities (including interest payments when applicable) as summarized below:

	Current		Non-current		
	To six months	From six months to a year	From one year to five years	More than five years	As of December 31, 2019
Financial obligations	0	0	3,604,854	0	3,604,854
Suppliers	0	7,717,776	0	0	7,717,776
Trade accounts payable	202,838	0	0	0	202,838
Tax liabilities	11,130	0	0	0	11,130
Liability for employee benefits	230,027	0	0	0	230,027
Total	**443,995**	**7,717,776**	**3,604,854**	**0**	**11,766,625**

	Current		Non-current		
	To six months	From six months to a year	From one year to five years	More than five years	As of December 31, 2018
Financial obligations	0	0	3,574,725	0	3,574,725
Suppliers	0	8,067,172	0	0	8,067,172
Trade accounts payable	244,871	0	0	0	244,871
Tax liabilities	9,477	0	0	0	9,477
Liability for employee benefits	214,528	0	0	0	214,528
Total	**468,876**	**8,067,172**	**3,574,725**	**0**	**12,110,773**

Currency risk

Most of the Company's transactions are carried out in Colombian pesos. Exposures to exchange rates arise from purchases abroad that are basically denominated in United States dollars (USD).

To mitigate the Company's exposure to exchange rate risk, cash flows originating in foreign currency are monitored, as well as future commitments in those currencies, following established risk management policies. Generally, risk management procedures distinguish short-term foreign currency cash flows (maturing within 6 months to 1 year), from longer-term cash flows (maturing after 1 year). When the amounts to be paid or collected in a specific currency are expected to offset each other, no other hedging activity takes place.

The financial assets and liabilities denominated in foreign currency that expose the Company to a foreign exchange risk is analyzed below:

	Dollars	Other currencies	As of December 31, 2019
Financial Obligations	(1.100)	0	(1.100)
Suppliers	(2.355)	0	(2.355)
Net exposure	**(3.455)**	**0**	**(3.455)**

	Dollars	Other currencies	As of December 31, 2018
Financial Obligations	(1,100)	0	(1,100)
Suppliers	(2,482)	0	(2,482)
Net exposure	**(3,582)**	**0**	**(3,582)**

	Exchange rate 2019	2018
USD = 1	3,277.14	3,249.75

Interest rate risk

The Company's policy is to minimize exposure to interest rate risk on its cash flow in long-term financing. For this reason, the Company agreed to an interest rate of 3% APR. Interest recognized and accrued quarterly. The Company does not recognize the difference as it is certain that the parent company will not change the conditions initially agreed.

Credit risk

Credit risk is the risk that clients and other debtors will not make their payment to the Company, therefore its exposure to this risk is mainly due to the balances of cash and cash equivalents and all debtors.

The maximum exposure of credit risk by the Company is presented below according to the balances of the financial position statement:

	2019	2018
Cash and cash equivalents	**1,281,332**	849,117
Debtors clients	**10,521,198**	8,218,936
Employee loans	**165,177**	21,347
Other debtors	**22,870**	9,323
Total	**11,990,577**	9,098,722

The Company continuously monitors balances exposed to credit risk, individually or by group of debtors, and incorporates this information into its credit risk controls. When it is available at reasonable cost, external credit ratings and / or reports are made about customers and others and this information is used.

The Company considers that all the aforementioned financial assets that are neither impaired nor past due for each of the reporting dates under review, have a good credit quality due to the fulfillment of its agreements with clients.

The Company maintains certain accounts receivable that are in arrears but have not been considered impaired. The analysis of their age is as follows:

	2019	2018
Less than three months	**9,774,083**	7,505,514
From three to six months	**560,535**	468,606
From six months to a year	**186,580**	244,816
More than one year	**0**	0
Total	**10,521,198**	8,218,936

Accounts receivables consist of a large number of clients in the health area, who are provided with generic drugs for the hematology, cancer and anti- infectious sectors. Based on historical information about customer default rates, management considers the credit quality of accounts receivable that are not past due or impaired to be good.

Those debit balances that have been considered individually impaired correspond to third parties in insolvency, liquidation and restructuring law and have been originated from financial difficulties to cover their commitments and special agreements.

The credit risk for cash and cash equivalents is negligible, as the counterparties are reputable banks with high ratings from external rating companies.

Note 6. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2019 and 2018 include the following components:

	December 31	
	2019	2018
Current:		
Cash	2,152	0
In checking accounts	1,279,180	849,117
Total	**1,281,332**	849,117

The cash and cash equivalents are no limitations on its use.

Nota 7. Commercial accounts receivable and other receivables

Commercial accounts receivable and other accounts receivable include:

		December 31 2018	2018
For sale of medicines		**11,258,050**	8,759,502
Other accounts receivable		**188,047**	30,669
Future conditioned discounts	(1)	**(340,272)**	(179,894)
Accumulated impairment of accounts receivable	(2)	**(396,580)**	(360,672)
Total current		**10,709,245**	8,249,605

(1) Discounts are associated discounts for prompt payment, volume and commercial, which are effective upon receipt of payment.

(2) The movement of impairment of accounts receivable for the year 2019 is as follows:

	December 31 2019	2018
Initial balance January 1	**(360,672)**	(117,736)
Impairment of the year	**(35,908)**	(260,486)
Recoveries of the year	**0**	17,550
Final balance December 31	**(396,580)**	(360,672)

The value of the year's impairment was recognized in the results of the period.

Note 8. Assets for taxes and contributions

The balance of assets for taxes and contributions as of December 31, 2019 and 2018 includes:

		December 31 2019	2018
Surpluses in private income tax liquidation	(1)	**938,774**	897,428
Total		**938,774**	897,428

(1) Surplus in private tax liquidation includes:

	December 31 2019	2018
Credit balance income year 2017	**0**	338,073
Credit balance income year 2018	**871,744**	559,355
Credit balance income year 2019	**67,030**	0
Total	**938,774**	897,428

Note 9. Inventories

The balance of inventories as of December 31, 2019 and 2018 includes:

		December 31	
		2019	2018
Medicines		**4,083,146**	5,194,220
Impairment	(1)	**(754,709)**	(457,429)
Total		**3,328,437**	4,736,791

(1) In 2019, a total of $ 3,328,437 COP of inventories was included in results within cost of sales (2018 - $ 5,194,220 COP). This value includes impairment losses for the year 2019 in the amount of $ 754,709 (2018 - $ 457,429).

The following is the movement of inventory impairment for the two cuts:

	2019	2018
Initial balance January 1	**(457.429)**	(327.204)
Impairment of the year	**(297.280)**	(457.429)
Writhe-off of the year	**0**	327.204
Final balance December 31	**(754.709)**	(457.429)

Note 10. Properties, plant, and equipment

The balance of property, plant and equipment as of December 31 includes:

	2019	2018
Gross cost	**1,008,825**	723,394
Accumulated depreciation	**(394,666)**	(259,238)
Total	**614,159**	464,156

The movement of properties, plant and equipment for the year 2019 is as follows:

	Office equipment	Computer equipment	Telecommunication equipment	Vehicles	Improvements in third parties' property	Total
Balance at 1/1/2018	30,038	40,733	7,768	42,972	0	121,511
Purchases	107,313	31,146	4,630	0	361,734	504,823
Year's depreciation	(70,847)	(27,564)	(11,545)	(23,439)	(7,536)	(140,931)
Withdrawals	(21,247)	0	0	0	0	(21,247)
Balance at 31/12/2018	**45,257**	**44,315**	**853**	**19,533**	**354,198**	**464,156**
Purchases	23,600	85,038	0	154,990	21,802	285,430
Withdrawals	0	0	0	0	0	0
Year's depreciation (7.993)	(35,605)	(853)		(42,135)	(47,942)	(134,528)
Adjustments and reclassifications	0	(899)	0	0	0	(899)
Balance at 31/12/2019	**60,864**	**92,849**	**0**	**132,388**	**328,058**	**614,159**

Note 11. Financial obligations

The balance of financial obligations as of December 31, 2019 and 2018 includes:

Type of credit	EA Interest rate	Current December 31 2.019	2.018	No current December 31 2.019	2.018
For working capital	3% EA	0	0	3,604,854	3,574,725
Total	**0**	**0**	**0**	**3,604,854**	**3,574,725**

The value of the financial obligations corresponds to USD 1,100,000, received in three (3) loans subscribed with Dr. Reddy's Laboratories S.A. (Suiza), USD 100,000 - June 2015, USD 250,000 in December 2015, USD 375,000 in November 2016 and USD 375,000 in June of 2017. According to the conditions of the obligations during the year 2019 no installments will be made to the debt.

The annual effective interest rate is 3%. Interests recognized and caused quarterly. Although it is a low interest compared to that of the market, the Company does not recognize the difference because it is certain that the parent company will not change the initially agreed conditions.

Note 12. Suppliers and accounts payable

The balance of suppliers and other accounts payable as of December 31, 2019 and 2018 include:

		December 31 2019	2018
Costs and expenses payable	(1)	**7,847,690**	8,261,995
Withholding taxes		**70,900**	46,718
ICA withheld		**2,024**	3,330
Total		**7,920,614**	8,312,043

(1) The balance of suppliers corresponding to related companies as of December 31, 2019 includes balances in dollars for a total value of USD 2,355,034 (2018 - USD 2,482,397.60). The adjustment for restatement at the 2019 year-end exchange rate generated foreign exchange expenses of 455,403 (2018 - Ch$453,628) recognized as financial expenses.

Note 13. Current taxes payable

The balance of current taxes payable includes:

	December 31 2019	2018
Tax of industry and commerce ICA	**11,130**	9,477
Total	**11,130**	9,477

The Income Tax expense includes:

	December 31	
	2019	2018
Income Tax	**799,584**	35,779
Deferred tax	**142,843**	(215,173)
Total	**942,427**	(179,394)

Legal provisions applicable to income tax, presumptive income and tax on dividends:

1. Taking into account that Law 1943 of 2018 was declared unenforceable by the Constitutional Court, by means of Judgment C 481 of October 16, 2019; On December 27, 2019, Law 2010 was promulgated, which took up most of the text of Law 1943, with some modifications and additions, and whose validity begins from 2020. The effects of said ruling will only occur towards the future and, consequently, in no case will they affect the consolidated legal situations prior to their notification. In accordance with the foregoing, the tax provisions applicable to the Company for the closing of 2019 are those established in accordance with Law 1943 of 2018 and regulations issued during the 2019 taxable year, as follows:

a. Tax Concept and rate for each taxable year:

Year	Taxation concept	Rate
2017	Income	34%
	Income Surcharge	6%
	Global Rate	40%
2018	Income	33%
	Income Surcharge	4%
	Global Rate	37%
2019	Income:	33%
	Global Rate	33%
2020	Income:	32%
	Global Rate	32%
2021	Income:	31%
	Global Rate	31%
2022 and onwards	Income:	30%
	Global Rate	30%

b. The base for determining the income tax of the taxable year of 2019 in accordance with Law 1943 of 2018 may not be less than 1.5% of its net equity on the last day of the immediately preceding taxable year. This percentage, according to the 2010 Law of 2019, will be 0.5% in 2020 and 0% from 2021.

c. In accordance with article 25 of Law 1607 of December 2012, from July 1, 2013, legal entities and assimilated income tax and complementary taxpayers are exempt from the payment of parafiscal contributions in favor of SENA and ICBF, corresponding to the workers that earn, individually considered, up to ten (10) monthly minimum wages in force. Likewise, as of 2019, those who avail themselves of the Simple Tax Regime are also exempt in accordance with Law 1943 of 2018.

d. When the income tax has been determined based on the presumptive income system, in accordance with Law 1943 of 2018 and its previous regulations, the Company may subtract from the gross income determined within the following five years the value of the presumptive income over net income excess, calculated by the ordinary system and adjusted based on the inflation index until December 31, 2016. As of 2017, presumptive income over ordinary income excesses may be deductible without adjustment, within the following five years.

e. The wealth tax was incurred during the years 2015 to 2017, using the net assets held on January 1 of each of these years as a taxable base, increasing it with the hidden assets that were decided to normalize and decreasing it with the net assets value or the gross assets value of certain assets or rights, which are expressly mentioned in article 295-2 of the Tax Statute, as well as with the assets that are allowed to be deducted according to the agreements to avoid double international taxation. The rates to settle the wealth tax were reduced between 2015 and 2018 (last year this tax was in force), with the highest being 1.5% and the lowest 0.05%.

f. The income tax rate corresponding to dividends or participations and their withholding, pursuant to Decree 2371 of 2019 for the taxable year 2019, is as follows:

Concept	INCRNGO (*)	Taxed
Taxable year 2016 and prior, withholding must be practiced for the taxable part as follows: 20% Obliged to file a return 33% Not obliged to file a return (20% if it exceeds 1400 UVT* - Unit of Tax Value*)	N/A	Rates art. 240 TS 33% 2019 32% 2020 31% 2021 30% 2022
Earnings Jan 1/17 - Dec 31/18 that have been decreed as enforceable, to resident natural persons and illiquid inheritances of causers that at the time of their deaths were residents of the country.	For the taxable year 2019 0 - 300 UVT 0% 300 UVT onwards 15% (10% since 2020)	
Dividends received from foreign companies to resident natural persons and national companies	N/A	
Earnings Jan 1/17 - Dec 31/18 that have been decreed as callable, to foreign companies and entities and by non-resident natural persons and illiquid estates of non-resident causers at the time of their death	7,5%	
SIMPLE Earnings with respect to Income taxed in SIMPLE, The value to be deducted will be the simple national component.	Ongoing The withholdings of Law 2010/19 Resident natural persons 0 - 300 UVT > 0% 300 UVT onwards > 10%	

(*) INCRNGO - Income not Constituting Income or Occasional Profit

2. Pursuant to the 2010 Law of 2019 "Growth Law, the rates applicable to dividends and their withholding with respect to the Earnings distributed as payable in 2020, are as follows:

Concept	INCRNGO (*)	Taxed
Taxable year 2016 and prior, withholding must be practiced for the taxable part as follows: 20% Required to file a return. 33% Not obliged to file a return (20% if it exceeds 1400 UVT)	N/A	Rates art. 240 TS 33% 2019 32% 2020 31% 2021 30% 2022
National Companies	7,5% Withholding transferable to the final beneficiary	
Companies, foreign entities and permanent establishments	10%	
Resident natural persons	0 - 300 UVT 0% 300 UVT onwards 10%	
Non-Resident natural persons	10%	

(*) INCRNGO - Income not Constituting Income or Occasional Profit

As of 2020, the rates on dividends are as follows in accordance with the 2010 Law of 2019 "Growth Law":

Concept	Taxed	INCRNGO (*)
National Companies	Rates art. 240 TS 33% 2019 32% 2020 31% 2021 30% 2022	7,5% Withholding transferable to the final beneficiary
Companies, foreign entities and permanent establishments		10%
Resident natural persons		0% 0 - 300 UVT 10% 300 UVT onwards
Non-Resident natural persons		10%

3. In accordance with Law 1819 of 2016, the tax losses obtained from the taxable year 2017, can be compensated with the ordinary liquid income obtained in the following twelve taxable periods, with no limit on the amounts to be compensated (Art. 147 TS). Accumulated losses as of December 31, 2016 and readjusted in the inflation index until December 31, 2016 of income and CREE are not subject to the compensation term provided in art. 147 TS, nor will they be fiscally readjusted and the formula of numeral 5 Art. 290 ET (Transitional regime) must be considered.

4. Law 1943 of 2019 establishes limits for deductions: interest in proportion to liquid equity regarding loans with economic associates, amortization of goodwill for the acquisition of shares and residual value for depreciation due to balance reduction, among others.

5. The occasional earnings rate is 10%.

6. As of 2017, income tax contributors who receive income from a foreign source, subject to income taxes in the country of origin, can deduct such amounts from income tax, and its surcharge, until they are exhausted. The value of the discount in no case may be greater than the income tax settled. These rules must be verified with respect to the countries with which Colombia has an agreement to avoid double taxation and the CAN (Andean Community of Nations)

7. The Income tax returns for the years 2018 and backwards are closed for tax purposes, those for the years 2018 to 2019 and the CREE tax declaration for the year 2016 are pending for revision. The Company and its legal advisors consider that, in the event of review by the tax authorities, there will be no changes in the bases declared by the Company.

The reconciliation between accounting profit and income tax expense for the years 2019 and 2018 is as follows:

	2019	2018
Profit (Loss) before taxes	**2.818.582**	(287.166)
Plus: non-deductible items that increase tax profit		
Vehicle tax	**0**	1.100
Impairment of portfolio	**35.908**	260.486
Industry and Commerce Tax Expenditure	**109.531**	0
Non-deductible expense for GMF	**39.066**	30.767
Exchange difference caused	**0**	554.992
Deterioration of inventory not destroyed (samples)	**297.280**	457.429
Costs and expenses of previous years	**25.915**	7.934
Miscellaneous expense	**5.177**	0
Travel expenses Chile & Venezuela	**6.900**	20.217
Total items that increase the taxable liquid income	**519.777**	**1.045.759**
(Less): items that decrease tax profit		
Amortization of Pre-Operations	**0**	(173.734)
Impairment of tax inventory	**(237.204)**	(324.421)
Impairment of portfolio (tax deduction)	**(132.174)**	(137.773)
Unrealized exchange difference (income)	**(379.410)**	0
Fiscal loss compensation year 2016	**0**	(301.410)
Others	**(633)**	0
Total items that decrease the taxable liquid income	**(749.421)**	**(937.338)**
Liquid income	**2.588.938**	**108.421**
Presumptive income calculation		
Liquid Equity of the immediately previous year	**4.213.300**	1.723.186
Presumptive income percentage	**1,5%**	3,5%
Presumptive income	**63.200**	**60.311**
Taxable base	**2.588.938**	108.421
Tax rate	**33%**	33%
Subtotal tax expense	**854.349**	**35.779**
ICA tax discount 50%	(54.765)	0
Total tax expense recorded in the year	**799.584**	**35.779**
Income tax of the year	**799.584**	**35.779**
Less: Withholding tax	(774.310)	(528.841)
Less: Self-withholding	(92.304)	(66.293)
Income tax (positive) (Note 8)	**(67.030)**	**(559.355)**

Note 14. Deferred tax assets and liabilities

Deferred tax assets and liabilities arising from temporary differences as of December 31, 2019 and 2018, have been determined as follows:

			December 31,2019 Deferred Tax		
Concept	Temporary difference	Rate	Assets	Liabilitie	Net
Impairment of portfolio assets	110.787	32%	35.452	0	35.452
Inventory impairment asset	517.505	32%	165.601	0	165.601
Assets for exchange difference not realized in account payable	422.077	32%	135.065	0	135.065
Deferred tax value			**336.118**	**0**	**336.118**

Concept	Temporary difference	Rate	December 31, 2018 Deferred Tax Assets	Liabilities	Net
Impairment of portfolio assets	207.053	33%	68.327	0	68.327
Inventory impairment asset	457.429	33%	150.952	0	150.952
Assets for exchange difference not realized in	786.914	33%	259.682	0	259.682
Deferred tax value			**478.961**	**0**	**478.961**

The variations generated in the recognition of deferred tax assets and liabilities are shown below:

	December 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Initial balance	**478.961**	0	263.788	0
Increase due to new temporary differences		0	478.962	0
Decrease due to the use of temporary differences	**(142.843)**	0	(190.294)	0
Decrease due to the application of tax losses and excess income	**0**	0	(73.495)	0
Closing balance	**336.118**	**0**	**478.961**	0

The balance is recognized in the period expense

	2019	2018
(Expense) Income for the period	**(142.843)**	215.173
Total	**(142.843)**	215.173

The variations of the year 2019 with respect to the year 2018 are due to changes in the temporary differences.

Note 15. Liability for employee benefits

	2019	2018
Wages	**11.532**	0
severance	**62.293**	55.383
Interest on severance pay	**8.343**	6.346
Holidays	**97.146**	57.606
commissions	**0**	36.500
Social and parafiscal security	**0**	47.893
Bonuses	**50.713**	10.800
Total	**230.027**	214.528

Note 16. Capital

The Company's share capital as of December 31, 2019 is represented in 45,657 (2018 - 45,657) fully paid ordinary shares with a nominal value of ($100,000 COP) one hundred thousand Colombian pesos each. All shares are equally eligible to receive dividends and capital redemptions and represent one vote at the Shareholders' Meeting.

The reconciliation of outstanding shares and reserves within equity is shown below:

	December 31	
	2019	**2018**
Share capital		
Number of authorized shares	**1.000.000**	1.000.000
Number of shares issued and fully paid	**45.657**	21.814
Share unit nominal value	**100.000**	100.000
Total nominal value of the shares	**4.565.700**	2.181.400
Number of shares issued and fully paid	**45.657**	21.814
Changes in the number of shares outstanding	**0**	23.843
Total increase	**45.657**	45.657
Number of outstanding shares at the end of the period	**45.657**	45.657

The sole shareholder is Dr. Reddy´s Laboratories S.A., with 100% of the shares.

Note 17. Income from ordinary activities

Revenue from ordinary activities includes:

	2019	2018
Drug sales	**31.919.468**	21.191.664
(-) Return on sales	**(19.348)**	(14.994)
(-) Commercial discounts	**(8.824.132)**	(4.603.583)
Total	**23.075.988**	16.573.087

Note 18. Cost of sale

The detail of the costs of sale for the years 2019 and 2018 includes:

	2019	2018
Purchase cost of medicines sold	**11.607.370**	9.063.895
Impairment of inventories	**297.280**	624.619
Total	**11.904.650**	9.688.514

Note 19. Administration expenses

The detail of administration expenses includes:

	2019	2018
Employee benefits	**3.589.223**	2.553.969
Market research	**1.511.771**	117.260
Contributions to social security	**511.923**	362.302
Travel expenses	**389.850**	381.843
Fee	**283.438**	288.126
Legal expenses	**259.627**	232.353
Services	**256.737**	175.337
Leases	**209.070**	219.507
Depreciations	**134.528**	140.931
Other marketing expenses	**122.406**	109.561
Insurance	**68.241**	25.872
Maintenance	**39.862**	38.411
Impairment of debtors	**35.908**	242.936
Toiletries, cafeteria and supplies and stationery	**34.962**	44.683
Affiliations and contributions	**6.615**	6.424
Taxes	**5.762**	8.191
Activities with doctors	**4.390**	221.759
Congress affiliations	**500**	418.793
Pop material	**0**	201.210
Other administrative expenses	**95.981**	79.618
Total	**7.560.794**	5.869.086

Note 20. Financial income and costs

The detail of financial income and costs includes:

	2019	2018
Exchange difference	**455.403**	1.033.928
Interests	**110.516**	96.035
GMF tax	**78.132**	61.534
Expenses from previous years	**25.915**	0
Implicit interest	**5.133**	0
Bank fees	**4.094**	15.608
Loss on removal of assets	**0**	8.710
Others	**3.872**	7.934
Total	**683.065**	1.223.749

Note 21. Transactions with related parties

The related parties of the Company include its shareholders, related parties and key management personnel.

21.1 Transactions with shareholders

As of December 31, 2019 and 2018, no balances are presented with shareholders. The balances with related parties of the Company are as follows:

	December 31, 2019	2018
Financial obligations		
Dr. Reddy's Laboratories S.A.(Suiza)	**3.604.854**	3.574.725
Total	**3.604.854**	3.574.725
Debts to pay		
Dr. Reddy's Laboratories Ltd.	**7.717.776**	8.067.172
Total	**7.717.776**	8.067.172
Interests		
Dr. Reddy's Laboratories S.A. (Suiza)	**110.516**	96.035
Total	**110.516**	96.035
Exchange difference		
Dr. Reddy's Laboratories S.A.	**(379.410)**	606.967
Dr. Reddy's Laboratories Ltd.	**834.813**	321.481
Dr. Reddy's Laboratories Ltda.	**0**	105.480
Total	**455.403**	1.033.928

21.1 Transactions with key management personnel

The total remuneration of managers and other key staff members in 2019 (including salaries and benefits) amounted to $ 1,929,802 (2018 - $ 1,627,497).

Note 22. Events occurring after the reporting period

We are not aware of subsequent events that have occurred between the dates of the financial statements and their authorization, which require a modification of the figures presented; Except for the possible economic effects on the globalized and national markets of the crisis caused by the COVID-19 pandemic, impossible to estimate to date, but which will very surely have consequences on the results, cash flows and in general on the financial situation of the Company for the annual exercise of the year 2020.

In the short term, it is a fact that the majority of the economic sectors faced a significant reduction in demand and, consequently, in income and revenues. But also, external factors such as the fall in world stock markets, the drop in the price of oil and the volatility of exchange rates and the consequent devaluation of the Colombian peso against the US Dollar and the Euro, if they remain in time, could come to have a negative financial impact on the operation of the company.

Notwithstanding the foregoing, depending on the national and global evolution of the pandemic and the possible economic recession and the speed of its recovery, the real financial effects for the company may be known.

At the moment and due to the situation, Dr. Reddy´s Laboratories SAS has canceled national and international trips, seminars, face-to-face marketing activities, conferences, among others, thus reducing the company's expenses, and has also been looking for new marketing and sales strategies through technology, trying not to have a greater impact. The Company continues to structure the way to continue growing, despite the circumstances, the production has been maintained and tries to supply all the needs that our clients present.

Note 23. Approval of the financial statements

These financial statements will be approved by the shareholders' meeting and authorized for their publication.

Grant Thornton

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Independent Auditors' Report

To the Members of
Dr. Reddy's Laboratories Taiwan Limited

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Taiwan Limited**a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2020;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of theLoss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 18th May 2020

UDIN: 20202367AAABPP6820

Dr. Reddy's Laboratories Taiwan Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non Current assets			
Property, plant and equipment	2.1	2,060	-
Current assets		**2,060**	**-**
Financial assets			
Cash and cash equivalents	2.2	4,493	2,183
Other financial assets	2.3	305	247
Other current assets	2.4	2,935	541
		7,733	**2,971**
Total assets		**9,793**	**2,971**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	26,775	13,409
Other equity		(20,037)	(11,017)
		6,738	**2,392**
Liabilities			
Non current liabilities			
Financial Liabilities			
Borrowings	2.6	909	-
		909	**-**
Current liabilities			
Financial Liabilities			
Other financial liabilities	2.7	1,537	579
Other current liabilities	2.8	609	-
		2,146	**579**
Total equity and liabilities		**9,793**	**2,971**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Laboratories Taiwan Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Income			
Other income	2.9	5	309
Total income		**5**	**309**
Expenses			
Employee benefits expense	2.10	5,459	4,183
Depreciation	2.11	295	-
Finance cost	2.12	14	-
Selling and other expenses	2.13	4,382	6,543
Total expenses		**10,150**	**10,726**
Loss before tax		**(10,145)**	**(10,417)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the year		**(10,145)**	**(10,417)**
Other comprehensive income (OCI)			
A. (i) Items that will not be reclassifled to profit or loss			
(ii) Income tax relating to items that will not be reclassified to profit or loss			
B. (i) Items that will be reclassified to profit or loss		1,125	-
(ii) Income tax relating to items that will be reclassified to profit or loss			
Total comprehensive loss for the year		**(9,020)**	**(10,417)**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Laboratories Taiwan Limited

Statement of Changes in Equity

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus	Other comprehensive income	
		Retained earnings	Foreign currency translation reserve	
Balance as at 1 April 2019	**13,409**	**(11,017)**	**-**	**2,392**
Issue of equity shares	13,366			13,366
Loss for the year	-	(10,145)	1,125	(9,020)
Balance as at 31 March 2020	26,775	**(21,162)**	**1,125**	**6,738**

Particulars	Equity share capital	Other components of equity		Total equity
		Reserves and surplus	Other comprehensive income	
		Retained earnings	Foreign currency translation reserve	
Balance as at 1 April 2018	**13,409**	**(600)**	**-**	**12,809**
Issue of equity shares				
Loss for the period	-	(10,417)	-	(10,417)
Balance as at 31 March 2019	**13,409**	**(11,017)**	**-**	**2,392**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of
Dr. Reddy's Laboratories Taiwan Limited

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Laboratories Taiwan Limited

Statement of Cash Flow

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2020	For the period ended 23 February 2018 to 31 March 2018
Cash flows from / (used in) operating activities		
Loss before tax	**(10,145)**	**(10,417)**
Adjustments:		
Depreciation	295	
Foreign exchange loss / (gain), net	124	(295)
Finance income	(5)	(8)
Interest expense	14	
Changes in operating assets and liabilities:	-	
Other assets and liabilities, net	(1,995)	75
Cash generated from operations	**(11,712)**	**(10,645)**
Income tax paid, net	-	-
Net cash from / (used in) operating activities	**(11,712)**	**(10,645)**
Cash flows from / (used in) investing activities		
Purchase of PPE	(67)	
Finance income received	5	8
Net cash used in investing activities	**(61)**	**8**
Cash flows from / (used in) financing activities		
Proceeds from issue of equity shares	13,366	-
Payment of principal portion of lease liabilities	(264)	
Interest paid	(14)	
Net cash from / (used in) financing activities	**13,089**	**-**
Net increase / (decrease) in cash and cash equivalents	1,315	(10,637)
Effect of exchange rate changes on cash and cash equivalents	995	281
Cash and cash equivalents at the beginning of the year (Refer note 2.2)	2,183	12,539
Cash and cash equivalents at the end of the year (Refer note 2.2)	**4,493**	**2,183**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Taiwan Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

M V Narasimham
Director

Sameer Natu
Director

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Laboratories Taiwan Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Dr. Reddy's Laboratories Taiwan Limited (" the Company") incorporated on 23 February 2018 in Taiwan , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.
Services Income
Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.
License fee
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

d) Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Note 1 Description of the Company and significant accounting policies (continued)

e) Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

• the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;

• differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

• taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

g) Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company’s business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Note 1 Description of the Company and significant accounting policies (continued)

h) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

i) Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Companny commits to purchase or sell the asset.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

l) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Laboratories Taiwan Limited

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Description	Gross Block					Depreciation					Net Block	
	As at 1st April 2019	Additions	Deletions	Forex adjustments	As at 31st March 2020	As at 1st April 2019	for the year	Deletions	Forex adjustments	As at 31st March 2020	As at 31st March 2020	As at 31st March 2019
Buildings	-	2,198	-	88	2,286	-	282	-	4	286	2,000	-
Furniture, Fixtures and office equipments	-	66	-	7	74	-	13	-	1	14	59	-
TOTAL	**-**	**2,264**	**-**	**95**	**2,360**	**-**	**295**	**-**	**5**	**300**	**2,060**	**-**
Previous Year	**-**	**-**	**-**		**-**	**-**	**-**	**-**		**-**	**-**	**-**

Dr. Reddy's Laboratories Taiwan Limited

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements (continued)

Financial assets

2.2 Cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
Balances with banks:		
- In current accounts	4,493	2,183
	4,493	**2,183**

2.3 Other current financial assets

	As at 31 March 2020	As at 31 March 2019
Unsecured, considered good		
Security deposits	305	247
	305	**247**

2.4 Other current assets

	As at 31 March 2020	As at 31 March 2019
Unsecured, considered good		
Balances with statutory authorities	207	101
Other advances	2,728	440
	2,935	**541**

2.5 Share capital

	As at 31 March 2020	As at 31 March 2019
Authorised share capital		
TWD 12,000,000 (31 March 2019: TWD 6,000,000)*	26,775	13,409
Issued equity capital		
TWD 12,000,000 (31 March 2019: TWD 6,000,000)*	26,775	13,409
Subscribed and fully paid-up		
TWD 12,000,000 (31 March 2019: TWD 6,000,000)*	26,775	13,409
	26,775	**13,409**

* No concept of nature and number of shares in this Company.

(a) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2020		As at 31 March 2019	
	Amount in TWD ('000)	% holding in the class	Amount in TWD ('000)	% holding in the class
Dr. Reddy's Laboratories SA	12,000	100.00	6,000	100.00

2.6 Financial liabilities

Non current borrowings		
Long term maturities - Secured	909	
	909	**-**

2.7 Other current financial liabilities

	As at 31 March 2020	As at 31 March 2019
Other liabilities payable to holding and other group companies	-	233
Current maturities of long term debt	1,110	
Others	427	346
	1,537	**579**

2.8 Other current liabilities

	As at 31 March 2020	As at 31 March 2019
Salary and bonus payable	609	-
	609	**-**

Dr. Reddy's Laboratories Taiwan Limited

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements (continued)

2.9 Other income

	For the year ended 31 March 2020	For the period 31 March 2019
Foreign exchange gain, net	-	301
Interest income	5	8
	5	**309**

2.10 Employee benefits expense

	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries, wages and bonus	4,890	3,985
Contribution to provident and other funds	371	
Staff welfare expenses	198	198
	5,459	**4,183**

2.11 Depreciation and amortisation expense

Depreciation of property, plant and equipment	295	-
	295	**-**

2.12 Finance cost

Interest on other borrowings	14	-
	14	**-**

2.13 Selling and other expenses

	For the year ended 31 March 2020	For the year ended 31 March 2019
Legal and professional	1,593	1,919
Rent	710	759
Travel and conveyance	52	459
Foreign exchange gain, net	11	-
Other general expenses	2,016	3,406
	4,382	**6,543**

2.14 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

2.15 Related parties

a) The Company had the following transactions with related parties

Particulars	As at 31 March 2020	As at 31 March 2019
Issue of shares		
Dr. Reddy's Laboratories SA	13,366	-

b) The Company had the following amounts due from / to related parties

Particulars	As at 31 March 2020	As at 31 March 2019
Due to holding company and other group companies(presented as share capital):		
Dr. Reddy's Laboratories SA	26,775	13,409
Due to holding company and other group companies(included in current liabities):		
Dr. Reddy's Laboratories Limited	-	233

2.16 Income taxes

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

2.17 Provisions, contingent liabilities and contingent assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

2.18 Leases

As at the reporting date, the company has finance lease commitments of TWD 807,222 , see note 2.6. Of these commitments, approximately TWD 444,039 relate to short-term maturity.

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

PSRVV Surya Rao
Partner
Membership No.: 202367

Place: Hyderabad
Date: 18 May 2020

for and on behalf of the Board of Directors of **Dr. Reddy's Laboratories Taiwan Limited**

M V Narasimham
Director

Sameer Natu
Director

Dr.Reddy's Laboratories (Thailand) Ltd.

Financial statements for the year ended

31 December 2019

and

Independent Auditor’s Report

Independent Auditor's Report

To the Shareholders of Dr.Reddy's Laboratories (Thailand) Ltd.

Opinion

I have audited the financial statements of Dr.Reddy's Laboratories (Thailand) Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of income and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance for the year then ended in accordance with the Thai Financial Reporting Standard for Non-Publicly Accountable Entities (TFRS for NPAEs).

Other matters

The financial statements of Dr.Reddy's Laboratories (Thailand) Ltd. for the year ended 31 December 2018, were audited by another auditor who expressed an unqualified opinion on those statements on 17 April 2019.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS for NPAEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



(Tanchanit Tantanasiriwong)
Certified Public Accountant Registration No. 10693
222/208 Moo.3 Bangkruay-Sainoi Rd.
Bangrakpattana Bangbuathong Nonthaburi 11110
30 April 2020

Dr.Reddy's Laboratories (Thailand) Ltd.

Statements of Financial Position

As at 31 December 2019

(Unit: Baht)

	Notes	2019	2018
Assets			
Current assets			
Cash and cash equivalents	*4*	13,024,301.10	7,967,224.86
Trade and other receivables		17,872,598.09	-
Other current assets		1,090,655.66	8,424.50
Total current assets		31,987,554.85	7,975,649.36
Non-current assets			
Property and equipment	*5*	1,783,383.75	-
Other non-current assets		348,778.44	348,778.44
Total non-current assets		2,132,162.19	348,778.44
Total assets		**34,119,717.04**	**8,324,427.80**

The notes to the financial statements are an integral part of these financial statements.

DocuSigned by:
Kailash Patki .
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Signed ..... Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Statement of Financial Position

As at 31 December 2019

(Unit: Baht)

	Notes	2019	2018
Liabilities and equity			
Current liabilities			
Trade and other payables		8,759,420.54	-
Other current liabilities		7,425,408.93	1,149,647.98
Total current liabilities		16,184,829.47	1,149,647.98
Non-current liabilities			
Long-term loan from related parties	*6*	30,000,000.00	-
Total non-current liabilities		30,000,000.00	-
Total liabilities		**46,184,829.47**	**1,149,647.98**
Equity			
Share capital			
Registered share capital			
3,000,000 ordinary shares of par Baht 10 each		**30,000,000.00**	**30,000,000.00**
Issued and paid-up share capital			
100,000 ordinary shares, fully paid up		1,000,000.00	1,000,000.00
2,900,000 ordinary shares, paid up Baht 5 each (2018: Baht 3.20 each)		14,500,000.00	9,280,000.00
Retained earnings (Deficits)			
Unappropriated		(27,565,112.43)	(3,105,220.18)
Total equity		**(12,065,112.43)**	**7,174,779.82**
Total liabilities and equity		**34,119,717.04**	**8,324,427.80**

The notes to the financial statements are an integral part of these financial statements.

DocuSigned by:
Kailash Patki .
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Signed ..... Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Statement of Income

For the year ended 31 December 2019

(Unit: Baht)

	2019	2018
Revenues		
Sales income	16,530,776.00	-
Other income	164,306.90	-
Total revenue	**16,695,082.90**	-
Expenses		
Cost of sales	9,721,504.54	-
Selling expenses	8,660,073.04	-
Administrative expenses	22,564,022.56	3,105,220.18
Total expenses	**40,945,600.14**	**3,105,220.18**
Profit (loss) before finance costs and income tax expenses	**(24,250,517.24)**	**(3,105,220.18)**
Finance costs	209,375.01	-
Profit (loss) before income tax expenses	**(24,459,892.25)**	**(3,105,220.18)**
Income tax expenses	-	-
Net profit (loss) for the year	**(24,459,892.25)**	**(3,105,220.18)**

The notes to the financial statements are an integral part of these financial statements.

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Kailash Patki .
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Signed ..... Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Statement of Changes in Equity

For the year ended 31 December 2019

(Unit: Baht)

	Issued and paid-up share capital	Retained earnings (deficits) Unappropriated	Total
Balance as at 13 June 2018	10,280,000.00	-	10,280,000.00
Net profit (loss) for the year	-	(3,105,220.18)	(3,105,220.18)
Balance as at 31 December 2018	10,280,000.00	(3,105,220.18)	7,174,779.82
Balance as at 1 January 2019	10,280,000.00	(3,105,220.18)	7,174,779.82
Paid share capital	5,220,000.00	-	5,220,000.00
Net profit (loss) for the year	-	(24,459,892.25)	(24,459,892.25)
Balance as at 31 December 2019	15,500,000.00	(27,565,112.43)	(12,065,112.43)

The notes to the financial statements are an integral part of these financial statements.

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Kailash Patki .
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Signed ..... Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Notes to the Financial Statements

For the year ended 31 December 2019

1. General information

Dr.Reddy's Laboratories (Thailand) Ltd. (“the Company”) is a limited company incorporated in Thailand on 13 June 2018 with registration no.0105561099948. The address of the Company’s head office is Unit 1607, 16th Floor, 1 Empire Tower, South Sathorn Road, Yannawa, Sathorn, Bangkok.

The principal businesses of the Company is engage in the registration, importation, processing, promotion, distribution and wholesale of pharmaceutical products for domestic consumption.

2. Basis of preparation

These financial statements have been prepared in accordance with the Thai Financial Reporting Standard for Non-publicly Accountable entities as issued by the Federation of Accounting Professions and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared under the historical cost convention.

An English version of the Company financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

3. Significant accounting policies

3.1 Revenues and expenses recognition

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Expenses are recognised on an accrual basis.

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Signed ..... Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

3.2 Cash and cash equivalents

Cash comprises cash on hand, deposit held at call with banks but exclude deposits with banks which are held to maturity, certificates of deposit issued by commercial banks and financial institutions, and restricted deposits. Cash equivalent comprises short-term highly liquid investments with maturities of three months or less from the date of acquisition.

3.3 Trade account receivables

Other accounts receivable are initially recognised at the fair value of the consideration received or receivable and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified and recognised in the income statement.

3.4 Land, property and equipment

Buildings and equipments are stated at cost less accumulated depreciation and accumulated impairment (if any).

Depreciation is calculated on the straight-line method over the estimated useful life as below:-

Office Equipment	5 years
Furnitures and Fixtures	5 years
Computers	3 years

3.5 Provisions

Provisions, are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3.6 Income tax

The provision for income tax is based on the amount currently payable according to the Revenue Code.

3.7 The Accounts Reclassification

For the purpose of comparability and according to the account reclassification in current period, the Company has reclassified accounts in the statements of financial position as of December 31, 2018, and there was no effect to the net profit or shareholders' equity presented in the report.

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Signed ..... Director

(Mr.Kailash Uday Patki)

Dr.Reddy's Laboratories (Thailand) Ltd.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4. Cash and cash equivalents

(Unit : Baht)

	2019	2018
Cash at bank	13,024,301.10	7,967,225.00
Total	**13,024,301.10**	**7,967,225.00**

5. Land, property and equipment

(Unit : Baht)

	Value as at 1-Jan-19	Movement during the year		Value as at 31-Dec-19
		Increase	Decrease	
Cost				
Office Equipment	-	791,320.84	-	791,320.84
Furnitures and Fixtures	-	1,080,700.22	-	1,080,700.22
Computer equipment	-	216,659.25	-	216,659.25
Total	-	**2,088,680.31**	-	**2,088,680.31**
Accumulated depreciation				
Office Equipment	-	74,058.98	-	74,058.98
Furnitures and Fixtures	-	181,242.05	-	181,242.05
Computer equipment	-	49,995.53	-	49,995.53
Total	-	**305,296.56**	-	**305,296.56**
Book value	-			**1,783,383.75**

Depreciation for the year 2019	305,296.56
Depreciation for the year 2018	-

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Kailash Patki .
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Signed ..... Director

(Mr.Kailash Uday Patki)

6. Long-term loan from related parties

As at 31 December 2019, the Company had long-term loans from a related party. Interest is charged at a rate of 2.50% per annum and the loans are payable on or before the completion of 5 years from the date of the agreement, with no collateral.

7. Financial statements authorisation

These financial statements were authorised by the director of the company.

DocuSigned by:
Kailash Patki .
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Signed ..... Director

(Mr.Kailash Uday Patki)

REGISTERED NUMBER: 01729064 (England and Wales)

Strategic Report, Report of the Directors and Financial Statements for the Year Ended 31st March 2020 for Dr Reddy's Laboratories (UK) Limited

Dr Reddy's Laboratories (UK) Limited (Registered number: 01729064)

Contents of the Financial Statements for the year ended 31st March 2020

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Dr Reddy's Laboratories (UK) Limited

Company Information
for the year ended 31st March 2020

DIRECTORS:	K S Reddy V N Mannam S Mcauliffe P Aghanian
SECRETARY:	R Sane
REGISTERED OFFICE:	6 Riverview Road Beverley East Yorkshire HU17 0LD
REGISTERED NUMBER:	01729064 (England and Wales)
AUDITORS:	cbaSadofskys Statutory Auditors Princes House Wright Street Hull East Yorkshire HU2 8HX
BANKERS:	Bank of Scotland Aldgate House 1/4 Market Place Hull HU1 1RA
SOLICITORS:	Taylor Vinters Merlin Place Milton Road Cambridge CB4 0DP

Dr Reddy's Laboratories (UK) Limited (Registered number: 01729064)

Strategic Report
for the year ended 31st March 2020

The directors present their strategic report for the year ended 31st March 2020.

REVIEW OF BUSINESS
The key financial highlights are as follows:

	31/3/20	31/3/19	31/3/18	31/3/17
	£	£	£	£
Turnover - United Kingdom	30,054,423	20,772,782	34,516,287	30,593,377
Turnover Growth - United Kingdom	44.7%	-39.8%	12.8%	11.1%
Turnover - Europe and other countries	6,694,368	5,886,001	5,913,609	7,092,169
Turnover Growth - Europe and other countries	13.7%	-0.5%	-16.60%	19.8%
Profit before tax	4,260,772	2,552,760	7,941,065	4,631,171
Profit before tax margin	11.6%	9.6%	19.6%	12.3%

There was a strong performance from Dr Reddy's UK with significant year on year increase in both turnover and profit. After previous strong years in our branded products this year saw a sharp decline in this area due to much lower cost generics. However this was more than supplemented in excellent sales through the hospital channel with both tender wins and off contract sales contributing.
In the retail channel we continue to grow and develop our relationships with key customers. We have increased our range sell at increased but responsible prices. Our stronger supply chain has also allowed us to be less boom and bust on products and maintain to forecast in certain areas.

PRINCIPAL RISKS AND UNCERTAINTIES
The company has identified the principal areas of risk that it faces as:

Financial instrument risk
The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the company's performance objectives. The objectives aim to ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Impact of pharmaceutical regulations
The business is subject to various regulations and any tightening of these could have a negative impact on earnings.

Price risk
The company sells generic pharmaceutical products. The prices of such products tend to reduce on account of severe pricing pressure and competition. This risk is managed by maintaining adequate levels of stock and introducing new products on expiry of patents.

Foreign exchange risk
The company sells and purchases some products in foreign currencies. The risk is mitigated by monitoring foreign exchange rates on a daily basis and taking foreign exchange cover, if required.

Credit risk
Credit checks are carried out on all customers. Amounts outstanding for both time and credit limits are regularly monitored. The company has little experience of material bad debts in general.

Liquidity risk
Liquidity is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company manages its cash flow to ensure that sufficient liquid resources are available to meet its operating needs.

Interest rate and cash flow risk
The company had a favourable cash balance during the year and therefore does not consider that interest rates or cash flow pose a significant risk.

Strategic Report
for the year ended 31st March 2020

SECTION 172(1) STATEMENT

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

At Dr. Reddy's, our Board of Directors, management and employees are committed to upholding high standards of corporate governance and business ethics. We firmly believe that timely disclosures, transparent accounting policies, rigorous internal control systems and a strong and independent Board go a long way in preserving shareholder trust while maximising long-term shareholder value.

This s172 statement explains how the Dr. Reddys Directors:
- Have engaged with employees, suppliers, customers and others; and
- Have had regards to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

The s172 statement focuses on matters of strategic importance to Dr. Reddys, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

Dr. Reddys have a number of Committees appointed by the Board at group level to focus on specific areas and take informed decisions within the framework of delegated authority, and make specific recommendations to the Board. All decisions and recommendations of the committees are placed before the Board for information or for approval.
When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the Company' success for the benefit of its members as a whole, and in doing so have regard (among matters) to:

The likely consequences of any decision in the long term

The Directors understand the business and the demand to innovate the latest products in order to find the most effective treatments in the pharmaceutical market. Dr. Reddy's vision and goal of 'Good Health Can't Wait' is what the business drives and strives for. The strategy set by the Board as a leader in the pharmaceutical industry is to ensure good health can be delivered to those who need it, and to promote wellness among them.

Whilst investing for the future, the Board also recognises that we must focus on meeting the current supply and demand of pharmaceuticals.

The Directors are guided by our principles - Empathy and Dynamism - which provide both guidance for our current behaviour and inspiration for our future actions.

The interests of the company's employees

At Dr. Reddy's employees are at the heart of our business. The Management team invites a fair and open two way relationship with all employees. We believe in respecting every individual, regardless of position. At Dr Reddy's employees are heard and have the opportunity to express their opinion. Organisation believes in equality and discourage any discrimination based on any caste, creed, race, religion age and gender etc. We are committed to employee's safety and well-being. Our HR policies are well documented and available to each employee. Management assumes responsibility that such policies are adhered to.

The talented and capable people have played a major role in powering and defining the growth of Dr. Reddys. We believe that when people with diverse skills are bound together by a common purpose and value system, they can make magic.

Strategic Report
for the year ended 31st March 2020

The need to foster the company's business relationships with suppliers, customers and others

Customers and suppliers are the key stakeholders in our business. In a competitive price driven environment, stock is the vital component at the keenest price. We engage in regular communication with our suppliers as well as customers. We recognise the fact that the stronger the relationships with suppliers the more we are able to serve our customers better. We remain committed to all our stakeholder for ethical business practices. The Company has put in practice a code of business conduct and ethics (CoBE) , every employee at Dr Reddy's is required to sign an undertaking, at least annually, that they have read such code and comply with its principles.

The impact of the company's operations on the community and environment

At Dr. Reddy's, Good Health Can't Wait is not just a slogan. But a belief that guides our thoughts, our behaviour and our actions. There are a number of initiatives that we've taken- from product development to patient management to helping doctors and partners delivers good health to patients.

Some of these were-life changing, for the patients. Like creating affordable option of complex, difficult to make medicines.

All of this is aimed of bringing good health to the community directly via the retail market or via being part of the supply chain to the NHS.The company is striving to ensure that the company is focused on the larger community.

The desirability of the company maintaining a reputation for high standards of business conduct

Dr. Reddys Board periodically reviews their Corporate Governance requirements as the commitment to upholding the highest standards are set at board level but is filtered down throughout the whole group organisation.

The need to act fairly as between members of the company

The Directors consider and focus its attention to ensure that the company's performance is in line with their strategic vision for both the short and long term objectives. The impact of this on all of the stakeholders is reviewed. The Directors believe they act fairly.

The Board has created a culture of honesty, integrity and respect of the Dr. Reddys core values and principles. The company that has set a number guidelines on Code of Business Conduct and Ethics (COBE) through to various Environment and Employment policies.

Principal decisions
We define principal decisions taken by the Board as those decisions in 2019/20 that are of a strategic nature and that are significant to any of our key stakeholder groups. As outlined in the FRC Guidance on the Strategic Report, we include decisions related to capital allocation and dividend policy.

REVIEW OF CLOSING POSITION
Overall, Dr Reddy's Laboratories (UK) Limited finds itself in a good financial position at the close of the 2019/20 . Cash reserves of £1,273k were held at the year end which has increase from £396k last year. The company continues to hold sufficient cash reserves. Sales have increased by 37.8%, and profit before tax has increased from 9.6% to 11.6%.

These results are reflected in a healthy balance sheet showing Net Assets of £32.9m compared to £29.4m last year.

Dr Reddy's Laboratories (UK) Limited (Registered number: 01729064)

Report of the Directors
for the year ended 31st March 2020

The directors present their report with the financial statements of the company for the year ended 31st March 2020.

DIVIDENDS
No dividends will be distributed for the year ended 31st March 2020.

FUTURE DEVELOPMENTS
Details of the company's future developments have been provided in the strategic report.

DIRECTORS
The directors during the year under review were:

K S Reddy	
V N Mannam	
C J Troche	- resigned 15/5/19
S Kohli	- resigned 29/11/19
S Mcauliffe	- appointed 1/1/20
P Aghanian	- appointed 4/3/20

The directors holding office at 31st March 2020 did not hold any beneficial interest in the issued share capital of the company at 1st April 2019 (or date of appointment if later) or 31st March 2020.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds and finance the company's operations.

Revenue maintenance
The company actively markets and manages its portfolio of products to focus on revenue building and maintenance which, over the life cycle of the products can contribute to the future profits of the business.

Principle risks and uncertainties
These have been provided in the strategic report of the company.

ENVIRONMENTAL REPORTING GUIDANCE - STREAMLINED ENERGY AND CARBON REPORTING

	2020 KwH	2019 KwH	Movement KwH	%
Electricity	332,905	325,502	7,403	2.3
Gas	293,261	286,150	7,111	2.5
Total	626,166	611,652	14,514	2.4

The increase in power is as result of an increase in the site activity.

The company is focused and committed to energy savings and reductions in consumption.

ENGAGEMENT WITH EMPLOYEES
Dr Reddy's UK management team invites a fair and open two way relationship with all employees. All departments offer regular meetings and encourage dialogue to create an inclusive environment and develop ideas. Our employees are the heart of our business and our policy is to ensure there is no discrimination when it comes to race, age, gender or disability. All such policies are discussed at relevant HR meetings or forums and it is the management's responsibility that they are adhered to.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS
Our relationships with both customers and suppliers are the key driver in our business. In a competitive price driven environment, stock is the vital component at the keenest price. This is why we need constant communication with suppliers, both third party and from our own company supply. The stronger the relationships with suppliers the more we are able to be first in class with customers on an on time in full basis. Our customer relationships both with the NHS and private wholesale and retail organisations continues to develop well and this has shown in our growth in the year.

Dr Reddy's Laboratories (UK) Limited (Registered number: 01729064)

Report of the Directors
for the year ended 31st March 2020

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

Dr. Reddy's Laboratories (UK) Limited believes that timely disclosures, transparent accounting policies coupled with a strong board go a long way in maintaining good corporate governance, preserving all stakeholders' trust and maximizing long-term corporate value. The company's corporate governance framework is based on the following main principles: Ethical business conduct by the board, management and employees. Well-developed systems of internal controls, Compliance to applicable local and international laws and financial reporting. Protection and facilitation of all stakeholders' rights. Adequate, timely and accurate disclosure of all material operational and financial information to relevant stakeholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, cbaSadofskys, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

S. Rane

.....

R Sane - Secretary

Date: 18th May 2020

Report of the Independent Auditors to the Members of Dr Reddy's Laboratories (UK) Limited

Opinion

We have audited the financial statements of Dr Reddy's Laboratories (UK) Limited (the 'company') for the year ended 31st March 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of Dr Reddy's Laboratories (UK) Limited

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alan Brocklehurst (Senior Statutory Auditor)
for and on behalf of cbaSadofskys
Statutory Auditors
Princes House
Wright Street
Hull
East Yorkshire
HU2 8HX

Date: 22/5/20

Dr Reddy's Laboratories (UK) Limited (Registered number: 01729064)

Income Statement
for the year ended 31st March 2020

	Notes	2020 £	2020 £	2019 £	2019 £
TURNOVER	3		**36,748,791**		26,658,783
Cost of sales			**27,119,580**		20,315,338
GROSS PROFIT			**9,629,211**		6,343,445
Distribution costs		**606,358**		653,370	
Administrative expenses		**5,122,406**		3,619,053	
			5,728,764		4,272,423
OPERATING PROFIT	5		**3,900,447**		2,071,022
Interest receivable and similar income			**358,906**		481,365
			4,259,353		2,552,387
Interest payable and similar expenses	6		**(1,419)**		(373)
PROFIT BEFORE TAXATION			**4,260,772**		2,552,760
Tax on profit	7		**791,299**		478,822
PROFIT FOR THE FINANCIAL YEAR			**3,469,473**		2,073,938

The notes form part of these financial statements

Dr Reddy's Laboratories (UK) Limited (Registered number: 01729064)

Other Comprehensive Income
for the year ended 31st March 2020

	Notes	2020 £	2019 £
PROFIT FOR THE YEAR		**3,469,473**	2,073,938
OTHER COMPREHENSIVE INCOME			
Stock based compensation		-	158
Income tax relating to other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		-	158
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,469,473**	2,074,096

The notes form part of these financial statements

Dr Reddy's Laboratories (UK) Limited (Registered number: 01729064)

Balance Sheet
31st March 2020

	Notes	2020 £	2020 £	2019 £	2019 £
FIXED ASSETS					
Intangible assets	8		1,104,101		865,691
Tangible assets	9		2,827,590		2,988,870
			3,931,691		3,854,561
CURRENT ASSETS					
Stocks	10	5,525,772		7,487,951	
Debtors	11	34,950,516		29,389,520	
Cash at bank and in hand		1,273,237		395,901	
		41,749,525		37,273,372	
CREDITORS					
Amounts falling due within one year	12	12,792,415		11,741,539	
NET CURRENT ASSETS			28,957,110		25,531,833
TOTAL ASSETS LESS CURRENT LIABILITIES			32,888,801		29,386,394
PROVISIONS FOR LIABILITIES	13		32,934		-
NET ASSETS			32,855,867		29,386,394
CAPITAL AND RESERVES					
Called up share capital	14		1,000		1,000
Other reserves	15		879,601		879,601
Retained earnings	15		31,975,266		28,505,793
SHAREHOLDERS' FUNDS			32,855,867		29,386,394

The financial statements were approved by the Board of Directors and authorised for issue on 18th May 2020 and were signed on its behalf by:

S Mcauliffe - Director

The notes form part of these financial statements

Dr Reddy's Laboratories (UK) Limited (Registered number: 01729064)

Statement of Changes in Equity
for the year ended 31st March 2020

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1st April 2018	1,000	26,431,855	879,443	27,312,298
Changes in equity				
Total comprehensive income	-	2,073,938	158	2,074,096
Balance at 31st March 2019	1,000	28,505,793	879,601	29,386,394
Changes in equity				
Total comprehensive income	-	3,469,473	-	3,469,473
Balance at 31st March 2020	1,000	31,975,266	879,601	32,855,867

The notes form part of these financial statements

Notes to the Financial Statements for the year ended 31st March 2020

1. STATUTORY INFORMATION

Dr Reddy's Laboratories (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Turnover
Turnover represents invoiced sales of goods, excluding value added tax, less discounts and rebates.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of five years.

Intangible assets
Products using patents are capitalised at the date of the patent. The residual value of these patents are being amortised evenly over their estimated useful lives.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- Straight line at 1%
Improvements to property	- Over the period of the lease
Plant and machinery	- 10% to 20% on cost and 20% on reducing balance
Fixtures and fittings	- Straight line over 3 years

Stocks
Raw materials, packing materials and work in progress are valued at cost. Finished goods are valued at the lower of cost and net realisable value. Stock is valued after making due allowance for obsolete and slow moving stock.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

continued...

2. ACCOUNTING POLICIES - continued

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research, regulatory and development cost
Expenditure on research, regulatory and development cost is written off in the year in which it is incurred.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits
The company makes contributions to the private pension funds of directors and staff. Contributions payable for the year are charged in the profit and loss account.

Stock based compensation
The stock options taken up in the ultimate parent company, Dr Reddy's Laboratories Limited, by staff members of subsidiary companies are accounted for in the accounts of the subsidiary company.

Regulatory and trade licence fees
Expenditure in respect of the renewal of trade licences has been charged to the profit and loss account when it has been incurred.

Going concern
The company has the long term support from the group and as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Directors Report.

continued...

3. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by geographical market is given below:

	2020	2019
	£	£
United Kingdom	30,054,423	20,772,782
Europe and other countries	6,694,368	5,886,001
	36,748,791	26,658,783

4. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	3,237,731	2,888,896
Social security costs	279,239	312,008
Other pension costs	171,632	176,876
	3,688,602	3,377,780

The average number of employees during the year was as follows:

	2020	2019
Directors and administration	54	54
Production	22	27
	76	81

	2020	2019
	£	£
Directors' remuneration	192,365	172,456

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2020	2019
	£	£
Hire of plant and machinery	9,369	13,094
Depreciation - owned assets	180,063	167,950
Profit on disposal of fixed assets	(4,000)	-
Patents and licences amortisation	198,097	148,741
Auditors remuneration	6,400	4,000
Auditors remuneration for non audit work	2,750	2,500
Foreign exchange differences	(301,209)	(1,867,020)

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£	£
Interest on corporation tax	(1,419)	(373)

continued...

7. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2020	2019
	£	£
Current tax:		
UK corporation tax	758,365	478,822
Deferred taxation	32,934	-
Tax on profit	791,299	478,822

UK corporation tax was charged at 19% in 2019.

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2020	2019
	£	£
Profit before tax	4,260,772	2,552,760
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	809,547	485,024
Effects of:		
Capital allowances in excess of depreciation	(50,980)	(15,797)
tax purposes		
ESOP exercised in the year	(202)	9,595
Deferred tax movement	32,934	-
Total tax charge	791,299	478,822

Tax effects relating to effects of other comprehensive income

There were no tax effects for the year ended 31st March 2020.

		2019	
	Gross	Tax	Net
	£	£	£
Stock based compensation	158	-	158

continued...

8. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1st April 2019	1,344,977
Additions	678,331
Disposals	(241,834)
At 31st March 2020	1,781,474
AMORTISATION	
At 1st April 2019	479,286
Amortisation for year	198,087
At 31st March 2020	677,373
NET BOOK VALUE	
At 31st March 2020	1,104,101
At 31st March 2019	865,691

9. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Totals £
COST					
At 1st April 2019	2,636,044	34,991	3,978,786	707,702	7,357,523
Additions	-	-	393,316	73,007	466,323
Disposals	-	-	(447,540)	-	(447,540)
At 31st March 2020	2,636,044	34,991	3,924,562	780,709	7,376,306
DEPRECIATION					
At 1st April 2019	340,211	34,630	3,332,577	661,235	4,368,653
Charge for year	47,222	-	89,764	43,077	180,063
At 31st March 2020	387,433	34,630	3,422,341	704,312	4,548,716
NET BOOK VALUE					
At 31st March 2020	2,248,611	361	502,221	76,397	2,827,590
At 31st March 2019	2,295,833	361	646,209	46,467	2,988,870

10. STOCKS

	2020 £	2019 £
Packaging materials	196,966	147,809
Work-in-progress	238,135	804,010
Finished goods	5,090,671	6,536,132
	5,525,772	7,487,951

continued...

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade debtors	**11,025,621**	8,935,656
Amounts due from fellow subsidiaries	**23,811,092**	20,342,374
Prepayments and accrued income	**113,803**	111,490
	34,950,516	29,389,520

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	**1,760,305**	2,601,359
Amount due to ultimate parent company	**7,319,655**	5,929,467
Amounts owed to fellow subsidiaries	**311,878**	66,085
Taxation	**325,439**	93,071
Social security and other taxes	**486,106**	259,674
Other creditors	**27,408**	99,634
Accrued expenses	**2,546,407**	2,402,262
Deferred income	**15,217**	289,987
	12,792,415	11,741,539

13. PROVISIONS FOR LIABILITIES

	2020	2019
	£	£
Deferred taxation	**32,934**	-

	Deferred tax
	£
Charge to Income Statement during year	**32,934**
Balance at 31st March 2020	**32,934**

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020	2019
			£	£
1,000	Ordinary	£1	**1,000**	1,000

continued...

15. RESERVES

	Retained earnings £	Other reserves £	Totals £
At 1st April 2019	28,505,793	879,601	29,385,394
Profit for the year	3,469,473		3,469,473
At 31st March 2020	31,975,266	879,601	32,854,867

16. ULTIMATE PARENT COMPANY

The company's immediate parent company is Dr Reddy's Laboratories (EU) Limited, a company registered in England and Wales. The group financial statements are available to the public and may be obtained from Riverview Road, Beverley, East Yorkshire, HU17 0LD .

The company's ultimate parent and controlling company is Dr Reddy's Laboratories Limited, a company incorporated in India. The group financial statements are available to the public and may be obtained from Door No 8-2-337, Road No 3, Banjara Hills, Hyderabad - 500034, India .

continued...

17. RELATED PARTY DISCLOSURES

At the balance sheet date, the company owed the amounts to related parties:

	31/3/20	31/3/19
	£	£
Dr Reddy's Laboratories Limited	7,319,655	5,929,467
Dr Reddy's S.A	200,552	Nil
Dr Reddy's Laboratories S.R.L	14,609	Nil
Reddy Pharma SAS	49,778	Nil

At the balance sheet date, the company was owed amounts from the following related parties:

	31/3/20	31/3/19
	£	£
Dr Reddy's Laboratories S.R.L	(162,670)	1,596,339
Betapharm Arzneimittel GmbH	15,934	7,722
Dr Reddy's Pharma Iberia	421,265	397,069
Reddy Pharma SAS	Nil	76,456
Dr Reddy's S.A	23,536,563	18,264,788

During the year the company made purchases on normal commercial terms to the following related parties:

	31/3/20	31/3/19
	£	£
Dr Reddy's Laboratories Limited	15,477,868	10,178,704
Industrias Quimicas Falcon	140,924	698,964
Dr Reddy's S.A	200,552	49,114

During the year the company paid for expenses on behalf of the following related parties:

	31/3/20	31/3/19
	£	£
Dr Reddy's S.A	Nil	151,124

During the year the company made QC sales on normal commercial terms to the following related parties:

	31/3/20	31/3/19
	£	£
Betapharm Arzneimittel GmbH	15,934	7,722

During the year the company made sales on normal commercial terms to the following related parties:

	31/3/20	31/3/19
	£	£
Dr Reddy's Pharma Iberia	(4,264)	505,453
Betapharm Arzneimittel GmbH	71,803	143,755
Dr Reddy's Laboratories S.R.L	(167,828)	1,187,250
Reddy Pharma SAS	290,260	(37,643)

During the year the company had given a loan to the following related parties:

	31/3/20	31/3/19
	£	£
Dr Reddy's S.A	7,900,000	Nil

During the year the company had charged interest on the loans to the following related parties:

continued...

	31/3/20	31/3/19
	£	£
Dr Reddy's S.A	353,429	477,868

Independent Auditors' Report

To the Members of
Dr. Reddy's Research and Development B V.

We have audited the accompanying financial statements of **Dr. Reddy's Research and Development B V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2020;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of theProfit for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 18th May 2020

UDIN: 20202367AAABQA6605

Dr. Reddy's Research and Development B V
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non current assets			
Property, plant and equipment	2.1	394,367	439,713
Capital work- in - progress		32,015	1,490
Intangible assets	2.1	-	17,807
Deferred tax assets (net)		-	4,865
Other non current financial assets	2.2	2,165,631	-
Total non current assets		**2,592,013**	**463,875**
Current assets			
Financial assets			
Trade receivables	2.3	260,846	132,897
Cash and cash equivalents	2.4	97,082	91,294
Loans	2.5	-	1,931,560
Other assets	2.6	250,742	175,096
Other current assets	2.7	57,951	64,908
Total current assets		**666,621**	**2,395,755**
Total assets		**3,258,634**	**2,859,630**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.8	460,464	460,464
Other equity		(1,038,777)	(1,120,522)
Total equity		**(578,313)**	**(660,058)**
Non current liabilities			
Financial Liabilities			
Borrowings	2.9	1,016,351	988,324
Other non-current liabilities	2.13	2,541,416	2,325,039
		3,557,767	**3,313,363**
Current liabilities			
Financial Liabilities			
Trade payables	2.10	64,214	42,811
Other current financial liabilities	2.11	138,784	110,236
Provisions	2.12	30,680	29,734
Other current liabilities	2.13	45,502	23,544
Total Liabilities		**279,180**	**206,325**
Total equity and liabilities		**3,258,634**	**2,859,630**
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Research and Development B V**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Research and Development B V

Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Revenue from operations	2.14	963,248	984,393
Other Income	2.15	106,729	101,846
Total Income		**1,069,978**	**1,086,239**
Expenses			
Cost of raw material and components consumed		(25,002)	(19,878)
Employee benefits expense	2.16	411,623	405,364
Depreciation	2.17	109,133	201,745
Finance costs	2.18	7,935	11,468
Other expenses	2.19	432,466	566,357
Total expense		**936,154**	**1,165,056**
Profit/(Loss) before tax		**133,823**	**(78,817)**
Income tax expense	2.20	5,067	30,772
Profit/(Loss) for the year		**128,757**	**(109,589)**
Other Comprehensive Income (OCI)			
Items that will be reclassified subsequently to profit or loss		(47,012)	44,523
Income tax on items that will be reclassified subsequently to profit or loss		-	-
		(47,012)	**44,523**
Total comprehensive income for the year		**81,745**	**(65,065)**
Earnings per share			
Basic - Par value EUR 0.12 per share		2.44	(2.08)
Diluted - Par value EUR 0.12 per share		2.44	(2.08)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Research and Development B V**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Research and Development B V

Statement of Changes in Equity

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Total equity

Particulars	Share Capital		Reserves and Surplus		Other Comprehensive Income	Total Equity
	Shares	Amount	Securities Premium	Retained Earnings	Foreign currency translation reserve	
Balance as of 1 April 2019	**52,673,974**	**460,464**	**5,376,854**	**(6,514,353)**	**16,977**	**(660,058)**
Shares issued during the year		-				
Profit/(Loss) for the year	-	-		128,757	(47,012)	81,745
Balance as of 31 March 2020	**52,673,974**	**460,464**	**5,376,854**	**(6,385,596)**	**(30,035)**	**(578,313)**
Balance as on 1 April 2018	**52,673,974**	**460,464**	**5,376,854**	**(6,404,764)**	**(27,546)**	**(594,992)**
Shares issued during the year						
Profit/(Loss) for the year	-	-	-	(109,589)	44,523	(65,066)
Balance as of 31 March 2019	**52,673,974**	**460,464**	**5,376,854**	**(6,514,353)**	**16,977**	**(660,058)**

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Research and Development B V**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Research and Development B V

Cash Flow Statement

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Operating activities		
Profit/(Loss) before taxation	133,823	(78,817)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation	109,131	201,745
Finance costs	7,935	11,468
Interest Income	(106,708)	(101,846)
Net foreign exchange differences	(56,179)	105,934
Loss on sale of investments		124,470
Profit on disposal of property,plant and equipment	(21)	(1,034)
Operating cash flows before working capital changes	**87,982**	**261,920**
Working capital adjustments:		
Trade and other receivables	(127,947)	(1,054)
Trade payables	21,403	19,210
Other assets & liabilities,net	179,582	(137,121)
	161,020	**142,955**
Income tax paid		-
Net cash flows from operating activities	**161,020**	**142,955**
Net cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	21	1,522
Purchase of property, plant and equipment	(30,782)	(56,074)
Proceeds from sale/(Purchase) of investments in subsidiaries	(8)	260,662
Advances IU	(127,362)	
Interest received		(2,006)
	(158,131)	**204,104**
Net cash flows from/ (used in) financing activities		
Repayment of long term borrowings	(44,629)	(310,698)
Borrowings	41,027	
	(3,602)	**(310,698)**
Net increase / (decrease) in cash and cash equivalents	(713)	36,361
Cash and cash equivalents at the beginning of the year	91,294	57,931
Effect of foreign exchange (gain) / loss on cash and cash equivalents	6,501	(2,998)
Cash and cash equivalents at the end of the year	**97,082**	**91,294**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	97,082	91,294
Cash and bank balances at the end of the year	**97,082**	**91,294**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Research and Development B V**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Sameer Natu
Director

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Research and Development B V

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

Description of the Company

Dr. Reddy's Research and Development B.V. (" the Company") incorporated in the Netherlands , is a 100% subsidiary of Reddy Netherlands B.V.

Basis of preparation of financial statements :

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue from contracts with customers

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

License fee

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets :

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities :

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Investments in Subsidiaries :

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Dr. Reddy's Research and Development B V

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 30 years
- Ancillary structures	3 - 15 years
Plant and machinery	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, “short-term” means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows ‘simplified approach’ for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Research and Development B V

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income from holding company and other group companies:		
Eurobridge Consulting BV	106,708	101,846
Interest paid to holding company and other group companies:		
Reddy Netherlands B.V.	7,935	11,444
Dr. Reddy's Laboratories SA		24
Sales/ Services to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	963,197	977,755
Eurobridge Consulting BV	0	-

b. The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2020	As at 31 March 2019
Due from holding company and other group companies (included in other current assets and Loans and advances):		
Euro Bridge Consulting B.V.	2,416,004	2,105,454
Dr. Reddy's Laboratories (EU) Limited		249
Dr. Reddy's Laboratories Limited	79	73
Dr. Reddy's Laboratories SA		-
Due to holding company and other group companies (included in other financials liabilities):		
Dr. Reddy's Laboratories (EU) Limited	79	298
Due to holding company and other group companies (included in long term borrowings):		
Reddy Netherlands B.V.	669,283	620,322
Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	258,955	127,749

1.2 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred tax assets / (liabilities)		
Operating loss carry forward	-	4,865
Deferred tax asset, net	**-**	**4,865**

1.3 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

Dr. Reddy's Research and Development B V
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 : Property, plant and equipment and other intangible assets

	Gross Block					Depreciation / Amortisation					Net Block	
Description	**As at 01.4.2019**	**Additions**	**Disposals**	**Forex**	**As at 31.03.2020**	**As at 01.4.2019**	**For the year**	**Disposals**	**Forex**	**As at 31.03.2020**	**As at 31.03.2020**	**As at 31.03.2019**
Building	497,578	556,755	-	(460,626)	593,707	206,272	37,193	-	73,349	316,814	276,893	291,306
Plant and machinery	1,029,662	23,635	11,640	67,435	1,109,093	894,914	49,962	56	61,211	1,006,032	103,061	134,748
Furniture and Fixtures & Office equipment	44,849	4,079	-	5,854	54,782	31,189	4,170	-	5,010	40,370	14,413	13,659
Total tangible assets (A)	**1,572,089**	**584,470**	**11,640**	**(387,336)**	**1,757,583**	**1,132,376**	**91,326**	**56**	**139,570**	**1,363,216**	**394,367**	**439,713**
Previous Year	1,580,309	66,165	10,428	(63,957)	1,572,089	986,179	201,745	9,428	(46,120)	1,132,376	439,713	594,130
Other intangibles	92,265				92,265	74,458	17,807			92,265	-	17,807
Total intangible assets (B)	**92,265**	**-**	**-**	**-**	92,265	**74,458**	**17,807**	**-**	**-**	**92,265**	**-**	**17,807**
Previous Year	95,988	-	-	(3,723)	92,265	77,463	-	-	(3,005)	74,458	17,807	18,525
TOTAL (A+B)	**1,664,354**	**584,470**	**11,640**	**(387,336)**	**1,849,848**	**1,206,834**	**109,133**	**56**	**139,570**	**1,455,481**	**394,367**	**457,520**

Other non curent financial assets

	As at 31 March 2020	As at 31 March 2019
2.2 : Loans and Advances		
Balances receivable from holding and other group companies	2,165,631	-
	2,165,631	**-**

Financial assets

	As at 31 March 2020	As at 31 March 2019
2.3 : Trade receivables		
Unsecured,considered good		
Receivable from holding company and other group companies	258,955	127,749
Receivable from Others	1,921	5,176
Less: Allowances for credit losses	(30)	(28)
	260,846	**132,897**

	As at 31 March 2020	As at 31 March 2019
2.4 : Cash and cash equivalents		
Balances with banks:		
- In current accounts	97,079	91,284
Cash on hand	3	10
	97,082	**91,294**

	As at 31 March 2020	As at 31 March 2019
2.5 : Loans and Advances		
Balances receivable from holding and other group companies	-	1,931,560
	-	**1,931,560**

	As at 31 March 2020	As at 31 March 2019
2.6 : Other Assets		
Other assets receivable from holding company and other group companies	250,373	174,216
Security Deposits	-	-
Other advances	369	880
	250,742	**175,096**

B. Other Assets

	As at 31 March 2020	As at 31 March 2019
2.7: Other current assets		
Other assets	4,958	15,195
Prepaid expenses	44,142	40,676
Balance with statutory agencies	8,851	9,037
	57,951	**64,908**

Dr. Reddy's Research and Development B V

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.8 : Share capital

	As at 31 March 2020	As at 31 March 2019
Authorised Share Capital		
80,000,000 (31 March 2019: 80,000,000) ordinary shares of EUR 0.12 each	699,328	699,328
Issued equity capital		
52,673,974 (31 March 2019: 52,673,974) ordinary shares of EUR 0.12 each	460,464	460,464
Subscribed and fully paid-up		
52,673,974 (31 March 2019: 52,673,974) ordinary shares of EUR 0.12 each	460,464	460,464
	460,464	**460,464**

(a) **Reconciliation of the equity shares outstanding is set out below:**

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	52,673,974	460,464	52,673,974	460,464
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**52,673,974**	**460,464**	**52,673,974**	**460,464**

(b) **Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of EUR 0.12 per share. Each holder of equity shares is entitled to one vote per share.

(c) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	-	-		
Reddy Netherlands B.V.	52,673,974	100%	52,673,974	100%

Financial Liabilities

	As at 31 March 2020	As at 31 March 2019
2.9: Non-current Borrowings		
Unsecured		
From other parties		
Long term borrowings from holding company and other group companies	669,283	620,322
Secured		
Long term maturities of finance lease obligations	347,068	368,003
	1,016,351	**988,324**

	As at 31 March 2020	As at 31 March 2019
2.10 : Trade Payables		
Payables to holding company and other group companies	-	-
Payables to others	64,214	42,811
	64,214	**42,811**

	As at 31 March 2020	As at 31 March 2019
2.11: Other current financial liabilities		
Accrued expenses	48,155	41,070
Other liabilities payable to holding and other group companies		298
Other current liabilities	501	-
Capital creditors	14,976	1,924
Trade and security deposits	30,065	28,214
Current maturities of long term debt	45,086	38,731
	138,784	**110,236**

	As at 31 March 2020	As at 31 March 2019
2.12 : Provisions		
Provision for employee benefits	30,680	29,734
	30,680	**29,734**

Other Liabilities

	As at 31 March 2020	As at 31 March 2019
2.13 : Other Liabilities		
A. Non-current liabilities		
Deferred revenue	2,541,416	2,325,039
	2,541,416	**2,325,039**
B. Current liabilities		
Deferred revenue	0	52
Due to statutory authorities	12,031	10,150
Salary and bonus payable	33,471	11,263
Other Liabilities	-	2,079
	45,502	**23,544**

	For the year ended 31 March 2020	For the year ended 31 March 2019
2.14 : Revenue from operations		
Sales	52	1,780
License fee and service income from holding company and other group companies	963,197	977,755
Other operating income	-	4,858
	963,248	**984,393**

	For the year 31 March 2020	For the year ended 31 March 2019
2.15 : Other income		
Interest income		
On fixed deposits	-	-
From holding company and other group companies	106,708	101,846
Profit on disposal of PPE	21	
Foreign exchange gain,net	-	-
	106,729	**101,846**

	For the year 31 March 2020	For the year ended 31 March 2019
2.16 : Employee benefits expense		
Salaries, wages and bonus	372,868	380,819
Contribution to provident and other funds	38,755	24,545
	411,623	**405,364**

	For the year 31 March 2020	For the year ended 31 March 2019
2.17 : Depreciation and amortisation expense		
Depreciation of tangible assets	109,133	201,745
	109,133	**201,745**

	For the year 31 March 2020	For the year ended 31 March 2019
2.18 : Finance costs		
Interest on long term borrowings to holding company and other group companies	7,935	11,468
	7,935	**11,468**

	For the year 31 March 2020	For the year ended 31 March 2019
2.19 : Other expenses		
Legal and professional	24,532	21,481
Travelling and conveyance	7,272	7,720
Communication	3,290	3,049
Rent	21,206	23,118
Loss on sale of investments	-	124,470
Foreign exchange loss, net	547	1,452
Other general expenses	375,619	385,067
	432,466	**566,357**

	For the year 31 March 2020	For the year ended 31 March 2019
2.20 : Tax expense		
Deferred tax expense	5,067	30,772
	5,067	**30,772**

DR. REDDY'S S.R.L.

Independent Auditor's Report on the Financial Statements pursuant to Art. 14 of Legislative Decree 39 of 27 January 2010

(Translation from Italian report)

Nexia Audirevi
Audit & Assurance

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Independent Auditor's Report pursuant to Art. 14 of Legislative Decree 39 of 27 January 2010

To the sole Quotaholder of
DR. REDDY'S S.R.L.

Report on the financial statements

Opinion

We have audited the financial statements of the DR. REDDY'S S.R.L. (the Company) prepared in accordance with art. 2435-bis of Italian civil code, which comprise the balance sheet as at March 31, 2020, and the income statement for the year then ended and the notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at March 31, 2020, and of its financial performance and cash flow for the year then ended in accordance with the Italian laws and regulations that govern their preparation.

Elements at the basis of the opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). Our responsibilities under those standards are further described in the "Independent auditor's responsibilities for the audit of the financial statements" section of this report. We are independent from the Company, in accordance with the rules and principles of ethics and independence applicable in Italian law to the auditing of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of Dr. Reddy's S.r.l. present the figures for the previous year for comparative purposes, as required by current regulations. We note that the financial statements for the year ended March 31, 2019 were subjected to voluntary auditing by us, as the legal requirements for the statutory audit were not met, and that on April 29, 2019 we expressed a clear opinion on those financial statements.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of this financial statements that give a true and fair view in accordance with the Italian laws and regulations that govern their preparation and, as provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that is free from material misstatement due to fraud or unintentional acts or events.

The directors are responsible for assessing the capacity of the Company to continue operating as a going concern entity and, in preparing the financial statements, for the appropriateness of using the going concern basis of accounting, and for the adequate disclosure in this regard. The directors use the going concern basis of accounting in preparing the financial statements unless they either intend to liquidate the Company or to cease operations or have no realistic alternatives but to do so.

Independent auditor's responsibilities for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, due to fraud or unintentional acts or events, and to issue an

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auditor's report that includes our opinion. Reasonable assurance is a high-level assurance, but there is no guarantee that an audit conducted in accordance with the International Standards on Auditing (ISA Italy) will always detect a material misstatement, when it exists. Misstatement can arise from fraud or unintentional acts or events and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by the users on the basis of this financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the entire audit process. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or unintentional acts or events. Design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from unintentional acts or events, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and but not for the purpose of expressing an opinion on the effectiveness of Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the directors;
- Reach a conclusion on appropriateness of the going concern basis of accounting used by the directors and, based on the obtained evidence, on the possible existence of significant uncertainty concerning events or circumstances that may arise significant doubts over the capacity of the Company to continue operating as a going concern entity. In case of a significant uncertainty, we have to call the reader's attention in the auditor's report to the related information in the financial statements or, if that information is inadequate, to consider this circumstance in expressing our opinion. Our conclusions are based on the audit evidence obtained up to the date of this audit report. Nevertheless, subsequent events or circumstances may cause the Company to cease operations as a going concern entity;

We have communicated with the persons in charge of governance activities that have been identified at an appropriate level in accordance with the requirements of the ISA Italy, among other matters, regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Milan, April 29, 2020

Signed:
Audirevi S.p.A.

Davide Borsani
Partner

Dr Reddy's S.r.l. (with a sole shareholder)

Legal Seat in Milan - Piazza Santa Maria Beltrade, n. 1
Share Capital Euro 99.000,00 - fully paid - in
Fiscal code and Milan Registry of Trading Companies
fiscal code and VAT number: 01650760505
Registered to Milan CCIAA n. 1882447

Financial Statements as of March 31, 2020

(Drawn up pursuant art. 2435-bis C.C.)

(amounts are in Euro)

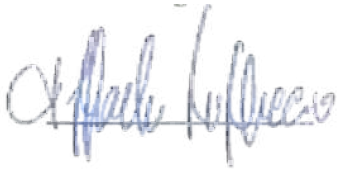
Balance Sheet

Assets		**31.03.2020**	**31.03.2019**
B) Fixed assets			
I.	*Intangible assets*	530.672	249.676
II.	*Tangible assets*	7.201	1.461
III.	*Financial assets*	50.434	41.809
Totale immobilizzazioni		**588.307**	**292.946**
C) Current assets			
I.	*Stock*	2.601.143	2.437.830
II.	*Accounts receivable*		
	- falling due within one year	3.837.513	1.822.414
	- falling due after more than one year		
	Total accounts receivable	3.837.513	1.822.414
III.	*Financial assets not representing fixed assets*		
	Total financial assets not representing fixed assets		
IV.	*Liquid assets*	60.118	634.098
Total current assets		**6.498.774**	**4.894.342**
D) Accrued income and pre payments		14.491	4.497
Total assets		**7.101.572**	**5.191.785**

Liabilities		31.03.2020	31.03.2019
A) Shareholders equity			
I.	Share Capital	99.000	99.000
IV.	Legal reserve	11.833	11.833
VI.	Other reserves	3.893.228	1.393.228
VIII.	Retained earnings / (loss carried forward)	15.103	224.833
IX.	Operating profit (loss)	(670.848)	(209.730)
Total		**3.348.316**	**1.519.164**
B) Provisions for risks and liabilities		779.149	426.652
C) Provision for employees' leaving indemnity		169.268	135.864
D) Accounts payable			
	- falling due within one year	2.804.839	3.110.105
	- falling due after more than one year		
	Total acconts payable	2.804.839	3.110.105
E) Accrued liabilities and deferred income		0	0
Total liabilities		**7.101.572**	**5.191.785**

Profit and loss account

		31.03.2020	31.03.2019
A)	**Revenues**		
1)	*Sales and services*	8.256.648	4.044.510
2)	*Changes on stock of goods in process, semi-finished goods and finished goods*	0	-
5)	*Miscellaneous revenues*	30.843	250.594
Total revenues		**8.287.491**	**4.295.104**
B)	**Expenses**		
6)	*For raw materials, subsidiarymaterials, consumables and goods*	5.440.500	2.478.365
7)	*Services*	1.338.765	840.672
8)	*Rent/Lease*	38.769	43.077
9)	*Personnel*		
	a) Salary and wages	659.721	527.271
	b) Social security contributions	211.006	157.277
	c) Employees' leaving indemnity	43.137	40.892
	d)	299	
		914.163	725.440
10)	*Depreciation and write-downs*		
	a) Depreciation of intangible assets	15.258	174
	b) Depreciation of tangible assets	949	838
	c) Other devaluation of tangible assets		
	d) Bad debts accruals	63.188	39.770
	Total depreciation and write-down	79.395	40.782
11)	*Changes in stock of raw material, subsidiary materials, expendable materials and goods*	-163.313	-480.701
12)	*Risk accruals*	379.491	
13)	*Other accruals*	144.237	280.890
14)	*Other management costs*	786.332	558.299
Total expenses		**8.958.339**	**4.486.824**
Difference between revenues and expenses (A-B)		**(670.848)**	**(191.720)**
C)	**Financial income and costs**		
16)	*Other financial income*		
17)	*Interest and other financial cost*		
	d) other than the above		
17) bis	*Exchange gains and losses*		
Totale proventi e oneri finanziari			
Total financial income and costs		**(670.848)**	**(191.720)**
20)	*Taxes on the income for the year*		
	- current taxes	0	-19.743
	- deferred taxes		1.733
21) Profit (Loss) for the year		**(670.848)**	**(209.730)**



DR REDDY'S NEW ZEALAND LIMITED
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2020

DR REDDY'S NEW ZEALAND LIMITED

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DR REDDY'S NEW ZEALAND LIMITED
COMPANY DIRECTORY
AS AT 31 MARCH 2020

Nature of Business	Pharmaceutical Drug Distribution
Registered Office	82 Totara Crescent Woburn Lower Hutt, 5011 New Zealand
Directors	Kallam Satish Reddy Venkata Annanth Sama Goparaju Sunil Kumar Chebrolu
Bankers	The Hong Kong and Shanghai Banking Corporation Limited Auckland
Solicitors	Crengle Shreves & Ratner Level 12, 105 The Terrace Wellington
Business Location	Auckland
Shareholder	Dr Reddy's Laboratories SA

DR REDDY'S NEW ZEALAND LIMITED
APPROVAL OF FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2020

The Board of Directors are pleased to present the approved financial report including historical financial statements of Dr Reddy's New Zealand Limited for the year ended 31 March 2020.

Approved for and on behalf of the Board of Directors



07th May 2020

Director

Date

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF DR REDDY'S NEW ZEALAND LIMITED

Report on the Financial Statements
We have reviewed the special purpose financial statements of Dr Reddy's New Zealand Limited ("the Company") on pages 6 to 14, which comprise the balance sheet as at 31 March 2020, the statement of profit or loss and the statement of changes in equity for the year ended 31 March 2020, and notes comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility
The Board of Directors of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with the Special Purpose Financial Reporting Framework for use by For-Profit Entities ("SPFR for FPE's"), and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility
Our responsibility is to express a conclusion on the financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with SPFR for FPE's. As the auditor of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on the financial statements.

The firm has no relationship with, or interests in, the Company.

Other Matter
The financial statements of the Company for the year ended 31 March 2019 were not audited or reviewed.

Emphasis of Matter
We draw attention to Note 13 *Subsequent Events* to the financial statements, which outlines the Company's assessment of the effects of the COVID-19 pandemic that arose after the reporting date on the future operations of the Company. Our opinion is not modified in respect of this matter.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the financial statements of the Company do not present fairly, in all material respects, the financial position of the Company as at 31 March 2020, and of its financial performance for the period ended on that date, in accordance with SPFR for FPE's.

BDO Auckland

BDO Auckland
7 May 2020
Auckland
New Zealand

DR REDDY'S NEW ZEALAND LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 $	2019 $
Income		3,564,873	2,927,462
Cost of Sales		(3,162,791)	(2,568,702)
Gross Profit		402,082	358,760
Other Income	2	10,570	9,843
		412,651	368,602
Expenses	3	(188,679)	(203,131)
Net operating profit before tax		223,973	165,472
Income Tax Expense	4	-	-
Net profit after tax		223,973	165,472

DR REDDY'S NEW ZEALAND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital	Retained Earnings	Total equity
	$	$	$
Balance at 1 April 2019	10,000	1,344,258	1,354,258
Profit for the year	-	223,973	223,973
Balance at 31 March 2020	10,000	1,568,230	1,578,230

	Share Capital	Retained Earnings	Total equity
	$	$	$
Balance at 1 April 2018	10,000	1,178,786	1,188,786
Profit for the year	-	165,472	165,472
Balance at 31 March 2019	10,000	1,344,258	1,354,258

The above statement should be read in conjunction with the notes to and forming part of the Special Purpose Financial Statements.

DR REDDY'S NEW ZEALAND LIMITED
BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 $	2019 $
Equity	5	**1,578,230**	**1,354,258**
Represented by			
Current assets			
Cash and other short-term deposits		99,863	127,382
Trade and other receivables	6	1,398,156	1,191,330
Tax receivable		2,726	1,351
Inventories	7	974,510	504,863
Total current assets		2,475,255	1,824,926
Non-current assets			
Property, plant and equipment		-	-
Total non-current assets		-	-
Total assets		2,475,255	1,824,926
Current liabilities			
Trade and other payables	8	897,025	470,669
Total liabilities		897,025	470,669
Net assets		**1,578,230**	**1,354,258**

Approved for and on behalf of the Board of Directors

Director

07th May 2020
Date

The above statement should be read in conjunction with the notes to and forming part of the Special Purpose Financial Statements.

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Dr Reddy's New Zealand Limited ('the Company') is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993. The Company primarily is involved in pharmaceutical drug distribution.

Basis of Preparation

These financial statements have been prepared in accordance with the Special Purpose Financial Reporting Framework for use by For-Profit Entities (SPFR for FPE's) issued by the Chartered Accountants Australia and New Zealand (formerly New Zealand Institute of Chartered Accountants). The financial statements have been prepared for the following parties:

- the entity's owners; and
- Inland Revenue

Basis of Measurement

These financial statements have been prepared on a historical cost basis. Values are rounded to the nearest dollar.

Functional Currency

The financial statements are presented in New Zealand dollars ($).

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Plant and equipment

Owned assets

Plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset either using depreciation rates based on estimates by management. Assets estimated useful life is reassessed annually. The following estimated depreciation rates/useful lives have been used:

▪ Office furniture and equipment	20 to 100%	straight line

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- **Accounts Receivable**

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Individual debts that are known to be uncollectable are written off in the period that they are identified.

- **Cash and short term deposits**

Cash and cash equivalents include cash on hand, deposits held in bank current call and cash management accounts and bank overdrafts.

- **Trade and other payables**

Trade and other payables are measured at amortised cost, using the effective interest method.

b) Inventories

Inventories are stated at the lower of cost, determined on a first-in-first-out basis, and net realisable value.

c) Share Capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, to the extent it is probable that the economic benefits will flow to the company and revenue can be reliably measured.

Interest received is recognised as interest accrues, gross of refundable tax credits received.

e) Income Tax

Income tax is accounted for using the taxes payable method. The income tax expense in profit or loss represents the estimated current obligation payable to Inland Revenue.

f) Goods and Service Tax

All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g) Leases

The Company as lessee

- **Operating leases**

Operating lease payments, where the lessors effectively retain substantially all the risk and benefits of ownership of the leased items, are recognised as an expense in profit or loss on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

	2020 $	2019 $
2. OTHER INCOME		
Interest	4,655	5,073
Foreign currency gain	5,915	4,770
	10,570	9,843
3. EXPENSES		
Depreciation of property, plant and equipment	-	950
Professional and consulting fees	21,183	20,830
Salaries and wages to employees	110,665	107,759
Other expenses	56,831	73,592
	188,679	202,518
4. INCOME TAX		
Net profit before tax	223,973	165,472
Prima facie tax expense at 28%	62,712	46,332
Non-deductible expenses	181	172
Temporary differences not recognised	(5,798)	(9,789)
Losses to carry forward	57,095	36,715
Prior year (losses) brought forward	(1,239,500)	(1,276,215)
Total (losses) carried forward	(1,182,405)	(1,239,500)

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2020

5. EQUITY

	2020	2019
	$	$
Issued Capital	10,000	10,000
Retained earnings		
- Opening balance as at 1 April	1,364,258	1,188,786
- Net profit	223,973	165,472
Closing balance as at 31 March	1,578,230	1,364,258
Closing balance as at 31 March	1,578,230	1,364,258

6. TRADE AND OTHER RECEIVABLES

Trade receivables	1,292,715	1,191,330
GST receivable	105,441	-
Other receivables	-	-
Trade and other receivables	1,398,156	1,191,330

7. INVENTORIES

Finished goods at cost	993,313	569,093
Less Inventory provision	(18,803)	(64,229)
Inventory	974,510	504,864

8. PROPERTY, PLANT AND EQUIPMENT

2020	Cost	Accumulated depreciation and impairment	Net Book Value
	$	$	$
Furniture and Fixtures – cost	15,996	15,996	0
	15,996	15,996	0
2019			
Furniture and Fixtures – cost	15,996	15,996	0
	15,996	15,996	0

9. TRADE AND OTHER PAYABLES

	2020	2019
	$	$
Trade payables	194,171	74,978
Related party payables	631,618	332,894
Non-trade payables & accrued expenses	60,262	40,145
GST payable	-	14,140
Employee entitlements	10,974	8,512
Total Trade and other payables	897,025	470,669

DR REDDY'S NEW ZEALAND LIMITED
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2020

10. CAPITAL COMMITMENTS

There are no capital commitments at 31 March 2020 (2019: $Nil).

11. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 March 2020 (2019: $Nil).

12. RELATED PARTIES

The related party transactions noted during the year are as follows:

2020	Sales $	Purchases $	Receivables/ (payables) $
Ultimate Holding Company			
- Dr Reddy's Laboratories Limited - India	-	3,022,848	(626,020)
Fellow Subsidiary			
- Dr Reddy's Laboratories Limited - Australia	-	122,283	(5,598)

2019			
Ultimate Holding Company			
- Dr Reddy's Laboratories Limited - India	-	2,247,795	(275,405)
Fellow Subsidiary			
- Dr Reddy's Laboratories Limited - Australia	3,061	85,624	(57,489)

13. SUBSEQUENT EVENTS

At the reporting date a number of cases of a new virus, COVID-19 (which is also known as Coronavirus), had been reported in the Wuhan province of China. The Company does not course products from, or sell products to, Wuhan Province, and does not have any other exposure to Wuhan province. Consequently, the financial statements for the current period are not impacted by COVID-19.

Subsequent to the reporting date, COVID-19 became widespread globally. As a result, the World Health Organization announced that the outbreak should be considered a pandemic. The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have introduced measures (such as the closure of all non-essential businesses and the cancellation of all public events) in a bid to halt, or at least slow, transmission of the virus. At the time of signing the financial statements, there is uncertainty about how much further economic activity will fall and how long the period of reduced economic activity will last. In addition, at the date of singing the financial statements, the New Zealand Government has ordered that all non-essential businesses cease trading for at least four weeks.

The directors have assessed the likely impact of COVID-19 on the Company and have concluded that, for the 12 months from the date of singing the financial statements, COVID-19 will not impact the ability of the Company to continue operating. That conclusion has been reached because:

- The Company trades medicine, for which demand is very unlikely to reduce, irrespective of the reduction in economic activity; and
- The Company's sole shareholder will not withdraw support for the foreseeable future.

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2019

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

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[English Translation for Reference Only]

Report of the Auditors

Hu Nuode Shen Zi (2020) No. 094

To the Board of Directors of Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd.:

Opinion

We have audited the accompanying financial statements of Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd. (hereinafter "the Company"), which comprise the balance sheet as at 31 December 2019, the income statement, the cash flow statement and statement of changes in shareholders' equity for the year then ended and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and cash flow for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Shanghai Nortex Certified Public Accountants Co., Ltd.

Shanghai, China
20 April 2020

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

BALANCE SHEET AS AT 31 DECEMBER 2019

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

ASSETS	Notes	31 December 2019	31 December 2018
Current assets			
Cash at bank and on hand	7	1,568,708.08	146,249.70
Accounts receivable	8,27(c)	4,180,155.30	-
Other receivables	9,27(c)	1,154,478.21	717,365.00
Advance to suppliers		267,301.35	468,070.93
Other current assets	10	514,269.95	1,199,224.95
Total current assets		7,684,912.89	2,530,910.58
Non-current assets			
Fixed assets	11	2,177,984.84	1,717,824.49
Intangible assets	12	340,460.78	261,752.12
Long-term prepaid expenses	13	287,694.57	60,878.37
Total non-current assets		2,806,140.19	2,040,454.98
TOTAL ASSETS		10,491,053.08	4,571,365.56
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Accounts payables	14,27(c)	1,052,115.60	1,035,073.51
Advances from customers	15,27(c)	-	7,800,000.00
Employee benefits payable	16	58,347.26	66,520.00
Taxes payable	17	299,052.03	16,453.32
Other payables	18	8,533.12	104,046.46
Total current liabilities		1,418,048.01	9,022,093.29
Non-current liabilities			
Long-term loans	19,27(c)	2,859,195.57	-
Total non-current liabilities		2,859,195.57	-
Total liabilities		4,277,243.58	9,022,093.29
Owner's equity			
Paid-in capital		6,657,520.00	6,657,520.00
Accummulated loss		(443,710.50)	(11,108,247.73)
Total owner's equity		6,213,809.50	(4,450,727.73)
TOTAL LIABILITIES AND OWNER'S EQUITY		10,491,053.08	4,571,365.56

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting function:	Person in charge of accounting department:

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from operations	20	19,693,542.21	-
Less: Tax and levies		(24,715.42)	(300.00)
General and administrative expenses	21	(8,074,525.73)	(4,668,123.12)
R&D expense	22	(945,669.71)	(3,011,562.02)
Financial expenses - net	23	(84,094.12)	(72,596.27)
Including: Interest expenses		(69,095.34)	-
Interest income		2,665.81	1,468.66
Add: Other income	24	100,000.00	-
Total profit/(loss)		10,664,537.23	(7,752,581.41)
Less: Income tax expenses	25	-	-
Net profit/(loss)		10,664,537.23	(7,752,581.41)
Net profit from continuing operations		10,664,537.23	(7,752,581.41)
Net profit from discontinued operations		-	-
Net other comprehensive income		-	-
Total comprehensive income		10,664,537.23	(7,752,581.41)

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting function:	Person in charge of accounting department:

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
1.Cash flows from operating activities			
Cash received from sales of goods or rendering of services		8,895,000.00	7,800,000.00
Cash received relating to other operating activities		102,665.81	1,468.66
Sub-total of cash inflows		8,997,665.81	7,801,468.66
Cash paid for goods and services		(651,099.10)	(3,929,135.74)
Cash paid to and on behalf of employees		(2,964,904.32)	(1,687,016.93)
Payments of taxes and surcharges		(601,980.14)	(300.00)
Cash paid relating to other operating activities		(5,005,912.29)	(3,304,184.75)
Sub-total of cash outflows		(9,223,895.85)	(8,920,637.42)
Net cash flows from operating activities	26(a)	(226,230.04)	(1,119,168.76)
2.Cash flows from investing activities			
Cash paid to acquire fixed assets and other long-term assets		(1,106,947.77)	(196,023.88)
Net cash flows from investing activities		(1,106,947.77)	(196,023.88)
3.Cash flows from financing activities			
Cash received from borrowings		2,749,880.00	-
Net cash flows from financing activities		2,749,880.00	-
4.Effect of foreign exchange rate changes on cash		5,756.19	(34,364.10)
5.Net Increase / (decrease) in cash	26(b)	1,422,458.38	(1,349,556.74)
Add: Cash balance at period beginning		146,249.70	1,495,806.44
6.Cash balance at period end		1,568,708.08	146,249.70

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting function:	Person in charge of accounting department:

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

STATEMENT OF CHANGES IN OWNER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

	Paid-in capital	Accumulated Losses	Total owner's Equity
Balance at 31 December 2018	6,657,520.00	(3,355,666.32)	3,301,853.68
Changes of period			
Comprehensive income			
Current period loss	-	(7,752,581.41)	(7,752,581.41)
Other comprehensive income	-	-	-
Total comprehensive income	-	(7,752,581.41)	(7,752,581.41)
End of period	6,657,520.00	(11,108,247.73)	(4,450,727.73)
Movements for the year ended 31 December 2019			
Comprehensive income			
Current period profit	-	10,664,537.23	10,664,537.23
Other comprehensive income	-	-	-
Total comprehensive income	-	10,664,537.23	10,664,537.23
Balance at 31 December 2019	6,657,520.00	(443,710.50)	6,213,809.50

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting function:	Person in charge of accounting department:

1 General information

Dr. Reddy's (WUXI) Pharmaceutical Co. Ltd. ("the Company") is a wholly foreign-owned enterprise incorporated in Wuxi of the People's Republic of China on 2 June 2017 by Swiss parent Dr. Reddy's Laboratories SA. The company has an approved operating period of 30 years. The registered capital is USD 1,000,000.

The approved scope of business of the Company includes medical research&development, technology transfer, technology consulting; medicine import and export; medicine production; medical product sale. (Licensed business can be carried out only after proper government authorizations.)

These financial statements were authorised for issue by the Company's responsible person on 20 April 2019.

2 Basis of preparation

The Company prepared its financial statements in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standards for Business Enterprises" or "CAS").

The financial statements were prepared on the basis of going concern.

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2019 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Consolidated and the Company as of 31 December 2019 and of their financial performance, cash flows and other information for the year then ended.

4 Summary of significant accounting policies and accounting estimates

(a) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(b) Recording currency

The recording currency is Renminbi (RMB).

4 Summary of significant accounting policies and accounting estimates(Cont'd)

(c) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period.Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

(e) Receivables

Receivables comprise notes and accounts receivables and other receivables. Accounts receivable arising from rendering of services are initially recognised at fair value of the contractual payments from the service recipients.

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Company will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

4. Summary of significant accounting policies and accounting estimates(Cont'd)

(f) Fixed assets and depreciation

Fixed assets comprise equipment and machines, vehicles, office furnitures and electronic devices. Fixed assets purchased or constructed by the Company are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual values	Annual depreciation rates
Equipment & machines	10 years	0%	10%
Office furnitures	3-5years	0%	20%-33.33%
Vehicles	4 years	0%	25%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(g) Intangible assets

Intangible assets include acquired computer software licences which were capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Those costs are amortized over their estimated useful lives of 10 years on an average basis.

4. Summary of significant accounting policies and accounting estimates(Cont'd)

(h) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(i) Impairment of long-term assets

Fixed assets and long-term prepaid expenses are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(j) Employee benefits

Employee benefits are various types of remuneration or compensation paid by the Company for receiving service from employees or terminating employment including short-term benefits, post-employment welfare, termination benifits and other long-term benefits. The Company incurred short-term benefits and post-employment welfare for the period.

(1) Short-term benefits

Short-term benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance premium, injury insurance premium, birth insurance premium, housing fund, education dues, short-term paid leaves and etc. Short-term benefits are recognised as the obligation in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable, of which non-monetary benefits are measured at fair value.

4. Summary of significant accounting policies and accounting estimates(Cont'd)

(j) Employee benefits (Cont'd)

(2) Post-employment welfare

The company classifies the post-employment welfare into two categaries: defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. The post-employment welfare of the Company is basic pension plan and unemployment insurance, both of which are defined contribution plans.

Basic pension plan

The company's employees participate in basic pension plan sponsored by local labour and social security administrators. The Company pay basic pension contribution monthly at the base and ratio stipulated by local labor and social security administrators. After the employee retires, local labor and social security adminstrator is responsible for paying basic pension tyo the retired employee. The contributions are recognised as an obligation in the accounting period in which the service has been rendered by the employees and as costs of assets or expenses to whichever the employee service is attributable.

(k) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Company's activities. Revenue is shown net of rebates, discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Company, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met.

(l) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Research costs are expensed when incurred. Costs in the development phase are capitalized, if all of the following six criteria are demonstrated:

4 Summary of significant accounting policies and accounting estimates(Cont'd)

(l) Research and development (Cont'd)

- The technical feasibility of completing the intangible asset
- The intention to complete and use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits (the entity should demonstrate the existence of a market or, if for internal use, the usefulness of the intangible asset)
- The availability of adequate resources to complete the development and to use or sell it
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs initially recognised as expenses can not be capitalized in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and is recognized as intangible assets at the date that the asset is ready for its intended use.

(m) Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease and charged as an expense for the current period.

(n) Segment information

The Company identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Company that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Company' s management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Company. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

The company operates under one single operating segment since incorporation.

5 Significant change of accounting policies

CAS No.21: Financial Instruments: Lease (revised) was promulgated by Ministry of Finance in 2018 and "Circular on the Amendment to the Formats of Corporate Financial Statements for the Year of 2019", CAS No.7 Exchange of non-monetary assets (revised) and CAS No.12 Debt restructuring (revised) were promulgated in 2019. The amendments to the above standards have no impact on the Company's financial statements.

6 Taxation

The main categories and rates of taxes applicable to the Company are set out below:

Category	Tax rate	Tax base
Enterprise income tax	25%	Taxable income
Value added tax	6%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)

7 Cash at bank and on hand

As at 31 December 2019, the cash at bank and on hand of the Company all represented cash at bank (31 December 2018: Same).

8 Accounts receivables

	31 December 2019	31 December 2018
Due from related party(27(3)(i))	4,180,155.30	-

9 Other receivables

	31 December 2019	31 December 2018
Due from related party(27(3)(i))	708,658.00	708,640.00
Leasing deposits	406,341.21	8,725.00
Others	39,479.00	-
	1,154,478.21	717,365.00

10 Other current assets

	31 December 2019	31 December 2018
Unverified input VAT	84,953.32	164,828.39
Input VAT credit	429,316.63	1,034,396.56
	514,269.95	1,199,224.95

11 Fixed assets

	Equipment & machines	Office furniture	Vehicles	Total
Cost				
31 December 2018	1,336,384.61	476,093.86	216,129.32	2,028,607.79
Increase in current period	427,454.98	329,356.79	-	756,811.77
31 December 2019	1,763,839.59	805,450.65	216,129.32	2,785,419.56
Accumulated depreciation				
31 December 2018	(155,374.22)	(78,863.35)	(76,545.73)	(310,783.30)
Depreciation charged in current period	(162,202.46)	(80,416.68)	(54,032.28)	(296,651.42)
31 December 2019	(317,576.68)	(159,280.03)	(130,578.01)	(607,434.72)
Net book value				
31 December 2018	1,181,010.39	397,230.51	139,583.59	1,717,824.49
31 December 2019	1,446,262.91	646,170.62	85,551.31	2,177,984.84

The amount of depreciation expense charged to general and administrative expenses was 296,651.42 for the year (2018: 258,708.80).

12 Intangible assets

	Software
Cost	
31 December 2018	299,145.29
Additions in current year	109,536.00
31 December 2019	408,681.29
Accumulated amortisation	
31 December 2018	(37,393.17)
Depreciation charged in current year	(30,827.34)
31 December 2019	(68,220.51)
Net book value	
31 December 2018	261,752.12
31 December 2019	340,460.78

The amount of amortisation expense charged to general and administrative expenses was 30,827.34 for the year(2018: 32,407.42).

13 Long-term prepaid expenses

	Lease hold improvment
31 December 2018	60,878.37
Additions in current year	240,600.00
Amortisation charged in current year	(13,783.80)
31 December 2019	287,694.57

The amount of amortisation expense charged to general and administrative expenses was 8,040.55 for the year (2018 period: 8,040.55).

14 Accounts Payables

	31 December 2019	31 December 2018
Due to related party(27(3)(iii))	1,052,115.60	1,035,073.51

15 Advances from customers

	31 December 2019	31 December 2018
Prepayment from related party(27(3)(iv))	-	7,800,000.00

16 Employee benefits payable

	31 December 2019	31 December 2018
Employee benefits payable(a)	31,078.36	55,274.51
Post-employement welfare(b)	27,268.90	11,245.49
	58,347.26	66,520.00

(a) Short-term benefits

	31 December 2018	Increase in current year	Decrease in current year	31 December 2019
Wages and salaries, bonuses, allowances and subsidies	43,683.00	2,797,625.22	(2,841,308.22)	-
Staff welfare	519.03	1,697,601.50	(1,696,174.77)	1,945.76
Social security contributions	5,305.55	53,265.22	(46,970.18)	11,600.59
Including:				
Medical care	4,036.84	44,856.36	(38,615.23)	10,277.97
Work Injury insurance	807.36	2,898.00	(3,439.88)	265.48
Maternity insuranece	461.35	5,510.86	(4,915.07)	1,057.14
Housing funds	5,766.93	54,085.67	(42,320.59)	17,532.01
	55,274.51	4,602,577.61	(4,626,773.76)	31,078.36

16 Employee benefits payable (Cont'd)

(b) Post-employment welfare - defined contribution plan

	2019		2018	
	Amounts payable	Balance	Amounts payable	Balance
Pension	99,453.50	26,178.08	81,940.38	10,957.15
Unemployment insurance	3,107.92	1,090.82	2,156.32	288.34
	102,561.42	27,268.90	84,096.70	11,245.49

17 Taxes payable

	31 December 2019	31 December 2018
Value added tax payable	191,039.26	-
Individual income tax payable	85,088.05	16,453.32
Levy and surcharge payable	22,924.72	-
	299,052.03	16,453.32

18 Other payable

	31 December 2019	31 December 2018
Professional service fee	3,600.00	53,085.12
Reimbursement of employee	4,933.12	50,961.34
	8,533.12	104,046.46

19 Long-term loans

	31 December 2019	31 December 2018
Related party foreign loan(27(3)(v))		
-Principal	2,790,480.00	-
-Interest	68,715.57	-
	2,859,195.57	-

On 3 June 2019, the Company borrowed USD 400,000.00 from related party Reddy's Laboratories SA for the Company's daily operations, new store renovations and fixed asset purchases. The loan period is from 3 June 2019 to 2 June 2024, with an annual interest rate of 4.5%.

20 Revenue

The Company's revenue for the year represented the income from the provision of pharmaceutical R & D technical services to related parties (2018: NA).

21 General and administrative expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Labor cost	4,705,139.03	1,807,257.83
Professional service	1,794,937.88	2,137,413.35
Rental and management expense	590,298.80	112,974.37
Office expenses	16,742.82	8,176.84
Depreciaton and Amortization	350,178.65	299,156.77
Travel expense	279,322.65	194,483.35
Entertainment	11,128.31	12,342.70
Registration fee	188,160.00	-
Others	138,617.59	96,317.91
	8,074,525.73	4,668,123.12

22 R&D expenses

	2019	2018
Processing fee	817,844.58	2,179,948.33
R&D Materials	47,933.93	765,565.69
Maintainence	79,891.20	66,048.00
	945,669.71	3,011,562.02

23 Financial expenses - net

	Year ended 31 December 2019	Year ended 31 December 2018
Bank charges	1,574.00	1,347.40
Exchange loss-net	16,090.59	72,717.53
Interest expenses	69,095.34	-
Less: interest income	(2,665.81)	(1,468.66)
	84,094.12	72,596.27

24 Other income

	Year ended 31 December 2019	Year ended 31 December 2018
High-tech subsidies	100,000.00	-

25 Income tax expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax	-	-
Deferred income tax	-	-
	-	-

	2019	2018
Total profit/(loss)	10,664,537.23	(7,752,581.41)
Income tax expenses calculated at applicable tax rates	2,666,134.31	(1,938,145.35)
Tax effect of costs not deductible for tax purposes	325,722.12	3,708.89
Tax losses for which no deferred income tax asset was recognized	-	1,934,436.46
Utilisation of previously unrecognised tax losses	(2,991,856.43)	-
Income tax expenses	-	-

Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2019	31 December 2018
Deductible losses	720,377.94	12,687,803.67

26 Notes to cash flow statement

(a) Reconciliation from net loss to cash flows from operating activities

	Year ended 31 December 2019	Year ended 31 December 2018
Net profit/(loss)	10,664,537.23	(7,752,581.41)
Add: Depreciation of fixed assets	296,651.42	258,708.80
Amortisation of intangible assets	30,827.34	32,407.42
Amortisation of long-term prepaid expenses	13,783.80	8,040.55
Financial expenses	(74,851.53)	34,364.10
Increase in operating receivables	(4,416,498.93)	(1,626,213.72)
Increase/(Decrease) in operating payables	(6,740,679.37)	7,926,105.50
Net cash flows from operating activities	(226,230.04)	(1,119,168.76)

(b) Net increase in cash and cash equivalents

	2019	2018
Cash at end of period	1,568,708.08	146,249.70
Less: Cash at beginning of period	(146,249.70)	(1,495,806.44)
Net increase in cash	1,422,458.38	(1,349,556.74)

27 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company:

	Place of registration	Nature of business
Dr.Reddy's Laboratories SA	Switzerland	Pharmaceutical

The ultimate holding company of the Company is Dr.Reddy's Labotories Limited incorporated in India.

27 Related parties and related party transactions(Cont'd)

(1) The parent company(Cont'd)

(b) Registered capital and changes in registered capital of the parent company

	31 December 2018	Increase in current period	Decrease in current period	31 December 2019
Dr.Reddy's Laboratories SA	CHF 105,640,410	-	-	CHF 105,640,410

(c) The percentages of share holding and voting rights in the Company held by the parent company:

	31 December 2019		31 December 2018	
	Share holding	Voting rights	Share holding	Voting rights
Dr.Reddy's Laboratories SA	100%	100%	100%	100%

(d) Nature of related parties that do not control or are not controlled by the Company

	Relationship with the Company
Kunshan Rotam Reddy Pharmaceutical Co. Ltd.	Joint Venture of ultimate holding company

(2) Related party transactions

(a) Pricing policies

The Company's pricing on rendering of services to related parties is based on market price.

(b) Related party transactions

(i) Providing research service

	2019	2018
Dr.Reddy's Laboratories Limited	3,943,542.74	-
Kunshan Rotam Reddy Pharmaceutical Co. Ltd.	15,749,999.47	-
	19,693,542.21	-

27 Related parties and related party transactions (Cont'd)

(2) Related party transactions (Cont'd)

(b) Related party transactions (Cont'd)

(ii) Borrowing

	2019	2018
Dr. Reddy's Laboratories SA	2,790,480.00	-

(iii) Interest expense

	2019	2018
Dr. Reddy's Laboratories SA	69,095.34	-

(3) Receivable from and payable to related parties

(i) Accounts receivables

	31 December 2019	31 December 2018
Dr.Reddy's Laboratories Limited	4,180,155.30	-

(ii) Other receivables

	31 December 2019	31 December 2018
Dr. Reddy's Laboratories SA	708,658.00	708,640.00

(iii) Accounts payables

	31 December 2019	31 December 2018
Dr.Reddy's Laboratories Limited	1,052,115.60	1,035,073.51

27 Related parties and related party transactions (Cont'd)

(3) Receivable from and payable to related parties (Cont'd)

(iv) Advances from customers

	31 December 2019	31 December 2018
Kunshan Rotam Reddy Pharmaceutical Co. Ltd.	-	7,800,000.00

(v) Borrowing

	31 December 2019	31 December 2018
Dr. Reddy's Laboratories SA	2,859,195.57	-

28 Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2019	31 December 2018
Within 1 year	1,582,636.57	118,440.00
Betweent 1 and 2 years	778,044.32	118,440.00
Between 2 and 3 years	59,220.00	118,440.00
Over 3 years	-	59,220.00
	2,419,900.89	414,540.00

29 Financial risk

The Company's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Company's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Company is exposed to foreign exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to swiss francs. The Company's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimize the foreign exchange risk. Therefore, the Company may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. The Company did not enter into any forward exchange contracts or currency swap contracts during the year.

As at 31 December 2019, the carrying amounts in RMB equivalent of the Company's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2019 USD	31 December 2018 USD
Financial assets denominated in foreign currency -		
Cash at bank and on hand	818,212.41	105,741.39
Financial liabilities denominated in foreign currency -		
Payables	1,052,115.60	1,035,073.51
Long-term loans	2,859,195.57	-
	3,911,311.17	1,035,073.51

As at 31 December 2019, if the currency had strengthened /weakened by 5 % against the foreign currencies while all other variables had been held constant, the Company's net profit /loss for the year would have been approximately 155,000.00 (31 December 2018: 46,000.00).

29 Financial risk (Cont'd)

(1) Market risk (Cont'd)

(b) Interest risk

The Company's interest rate risk arises from long-term interest bearing borrowings. Financial liabilities issued at floating rates expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2019, the Company's long-term interest bearing borrowings were related party loans with fixed rates, amounting to RMB 2,790,480.00 (31 December 2018: NA) (Note 19).

The Company's finance department at its headquarters continuously monitors the interest rate position of the Company. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Company's financial position. The Company makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2019 and 2018, the Company did not enter into any interest rate swap agreements.

As at 31 December 2019: The Company's borrowings with fixed rates are measured at amortized costs. Changes in interest rates had no significant impact on the Company's net profit and net assets. (31 December 2018: NA).

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables etc.

The Company expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

29 Financial risk (Cont'd)

(2) Credit risk (Cont'd)

In addition, the Company has policies to limit the credit exposure on accounts receivable and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

The net value of cash at bank and on hand and receiveables presented in financial statements reflects the maximum credit risk of the Company.

(3) Liquidity risk

Cash flow forecasting is performed by and aggregated by the Company's finance departmen. The Company's finance department monitors rolling forecasts of the Company 's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

Except for long-term loans, the financial assets and liabilities of the Company as at 31 December 2019 are expired within one year(31 December 2018: same).

30 Capital management

Target of capital management policy is to guarantee the company's going concern, so that it can offer shareholder return, as well as other stakeholder, meanwhile, it can maintain the best capital structure to lower capital cost.

To maintain and adjust capital structure, the company may adjust the dividend paid to the shareholder,return capital to them, new issue of shares or sell assets for reduce debts.

Total capital of the company is shareholder's interest listed in balance sheet. The company is not in the charge of external coercive capital requirement to control capital by asset-liability ratio. As at 31 December 2018, the company's asset-liability ratio is 40.77% (31 December 2018: 197.36%).

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

SUPPLEMENTARY INFORMATION PROVIDED BY MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
[English translation for reference only]

- Reconciliation of Taxable Income

DR. REDDY'S (WUXI) PHARMACEUTICAL CO. LTD.

SUPPLEMENTARY INFORMATION PROVIDED BY MANAGEMENT
(All amounts in Rmb Yuan unless otherwise stated)
[English Translation for Reference Only]

Reconciliation of Taxable Income for the year ended 31 December 2019

Total profit	10,664,537.23
Add : Entertainment expenses in excess of prescribed cap	4,451.32
Staff welfare in excess of the prescribed cap	1,298,437.18
Less: Deductible cumulative losses	(12,687,803.67)
Taxable Loss	(720,377.94)

Note: The final amount of taxable income should be determined based on assessment obtained from local tax bureau.

Independent Auditors' Report

To the Members of
Dr. Reddy's Venezuela, C.A..

We have audited the accompanying financial statements of **Dr. Reddy's Venezuela, C.A..**a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2020;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of theLoss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 18th May 2020

UDIN: 20202367AAABPQ9858

Dr. Reddy's Venezuela, C.A.
Balance Sheet
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non current assets			
Property, plant and equipment	2.1	50	50
Tax assets, net		-	-
Total non current assets		**50**	**50**
Current assets			
Financial assets			
Cash and cash equivalents	2.2	43	11
Loans	2.3	5	1,412
Other current assets	2.4	30	27
Total current assets		**78**	**1,450**
Total assets		**128**	**1,500**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	583	583
Other equity		(48,509)	(44,260)
Total equity		**(47,926)**	**(43,677)**
Non current liabilities			
Financial Liabilities			
Borrowings	2.6	7,654	6,722
Current liabilities			
Financial Liabilities			
Trade payables	2.7	40,309	38,436
Other current financial liabilities	2.8	20	3
Other current liabilities	2.9	70	15
Total Liabilities		**40,399**	**38,454**
Total equity and liabilities		**128**	**1,500**
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Venezuela, C.A.**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Joga Rao KVSNHR
Finance Manager

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Venezuela, C.A.
Statement of Profit and Loss
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Continuing operations			
Revenue from operations		-	-
Other Income	2.10	-	391
Total Income		**-**	**391**
Expenses			
Cost of materials consumed		-	-
Employee benefits expense	2.11	167	186
Finance Cost	2.12	203	222
Depreciation and amortisation expense	2.13	-	4
Other expenses	2.14	3,879	2,258
Total expense		**4,249**	**2,670**
Profit / (Loss) before tax		**(4,249)**	**(2,279)**
Income tax expense		-	-
Profit / (Loss) for the year		**(4,249)**	**(2,279)**
Earnings per share			
Basic - Par value Bs 0.0043 per share		(399.61)	(214.33)
Diluted - Par value Bs 0.0043 per share		(399.61)	(214.33)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Venezuela, C.A.**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Joga Rao KVSNHR
Finance Manager

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Venezuela, C.A.

Statement of Changes in Equity

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Total equity

Particulars	Share Capital		Reserves and Surplus	Total Equity
	Shares	Amount	Retained Earnings	
Balance as of 1 April 2018	**10,633**	**583**	**(41,981)**	**(41,398)**
Profit / (Loss) for the period	-	-	(2,279)	(2,279)
Balance as of 31 March 2019	**10,633**	**583**	**(44,260)**	**(43,677)**
Profit / (Loss) for the period	-	-	(4,249)	(4,249)
Balance as of 31 March 2020	**10,633**	**583**	**(48,509)**	**(47,926)**

As per our report of even date attached

and on behalf of the Board of Directors of **Dr. Reddy's Venezuela, C.A.**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A Ramachandra Rao
Partner
Membership No. 9750

Joga Rao KVSNHR
Finance Manager

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Venezuela, C.A.
Cash Flow Statement
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Operating activities		
(Loss) / Profit before taxation	(4,249)	(2,279)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	4
Profit on disposal of property, plant and equipment	-	(69)
Writeback of liability	-	(322)
Finance costs	203	222
Net foreign exchange differences	103	2,612
Operating cash flows before working capital changes	**(3,943)**	**168**
Working capital adjustments:		
Trade and other payables	1,870	-
Other assets & liabilities,net	1,479	(78)
	(594)	**90**
Income tax paid	-	-
Net cash flows from operating activities	**(594)**	**90**
Net cash flows used in investing activities		
Proceeds from sale of property, plant and equipment		69
Purchase of property, plant and equipment		-
	-	**69**
Net cash flows from/ (used in) financing activities		
Proceeds from long term borrowings,net	729	(222)
	729	**(222)**
Net increase / (decrease) in cash and cash equivalents	135	(63)
Cash and cash equivalents at the beginning of the year	11	75
Effect of foreign exchange loss on cash and cash equivalents	(103)	(1)
Cash and cash equivalents at the end of the year	**43**	**11**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	43	11
Cash and bank balances at the end of the year	**43**	**11**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Dr. Reddy's Venezuela, C.A.**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Joga Rao KVSNHR
Finance Manager

Place: Hyderabad
Date: 18 May 2020

Dr. Reddy's Venezuela, C.A.

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

Description of the Company

Dr. Reddy's Venezuela, C.A. (" the Company") incorporated in Venezuela , is a 100% subsidiary of Dr. Reddy's Laboratories SA.

Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time. In August 2018, the official currency of Venezuela has been changed to Bolivar Soberano(Bs), which replaces the erstwhile currency (Venezuelan bolivar).

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

License fee

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 30 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	3 - 10 years
Vehicles	4 - 5 years

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Dr. Reddy's Venezuela, C.A.

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant Accounting Policies & Notes to Accounts:

1.1 Going Concern

The accounts have been prepared on Going Concern basis, despite having accumulated losses and no operational income, as the company is supported by its parent company in its activities and financial affairs.

1.2 Related Party Transactions

a. The company has the following transactions with related parties :

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest paid/payable to holding company/other group companies:		
Dr. Reddy's Laboratories SA	203	222

b. The company has the following amounts due/from related parties:

Particulars	As at 31 March 2020	As at 31 March 2019
Due to holding company and other group companies(included in trade payables and borrowings):		
Dr. Reddy's Laboratories Limited	40,309	37,079
Dr. Reddy's Laboratories SA	7,654	6,722

1.3 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference and no deferred tax asset is recognised on carry forword losses as it is not probable that future taxable profit will be available against which these can be utilised

1.4 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

Dr. Reddy's Venezuela, C.A.

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.1 : Property, plant and equipment

	Gross Block				Depreciation / Amortization				Net Block	
Particulars	**As at 01.04.2019**	**Additions**	**Disposals**	**As at 31.03.2020**	**As at 01.04.2019**	**For the year**	**Disposals**	**As at 31.03.2020**	**As at 31.03.2020**	**As at 31.03.2019**
Leasehold improvments				-				-	-	-
Office equipment and Furniture & Fixtures				-				-	-	-
Vehicles	58	-	-	58	8	-	-	8	50	50
Total	**58**	**-**	**-**	**58**	**8**	**-**	**-**	**8**	**50**	**50**
Previous year	**1,348**	**-**	**1,290**	**58**	**1,294**	**4**	**1,290**	**8**	**50**	**54**

Dr. Reddy's Venezuela, C.A.
Notes to Financial Statements
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Other Assets

Financial Assets

	As at 31 March 2020	As at 31 March 2019
2.2 : Cash and cash equivalents		
Balances with banks:		
- On current accounts	43	11
	43	**11**

	As at 31 March 2020	As at 31 March 2019
2.3 : Loans and Advances		
Other advances	5	1,412
	5	**1,412**

Other Assets	As at 31 March 2020	As at 31 March 2019
2.4 : Other current assets		
Prepaid expenses	30	26
Other current assets	-	1
	30	**27**

Dr. Reddy's Venezuela, C.A.

Notes to the Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

2.5 : Share capital

	As at 31 March 2020	As at 31 March 2019
Issued equity capital		
10,633 (previous year : 10,633) shares of Bs 0.0043 each	583	583
Subscribed and fully paid-up		
10,633 (previous year : 10,633) shares of Bs 0.0043 each	583	583
	583	**583**

* No concept of authorised share capital in this company.

(a) **Reconciliation of the equity shares outstanding is set out below:**

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of shares	Amount	No. of shares	Amount
Number of shares outstanding at the beginning of the year	10,633	583	10,633	583
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**10,633**	**583**	**10,633**	**583**

(b) **Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of Bs 0.0043 per share. Each holder of equity shares is entitled to one vote per share.

(c) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	10,633	100%	10,633	100%

Financial Liabilities

	As at 31 March 2020	As at 31 March 2019
2.6 : Non-current Borrowings		
From other parties		
Long term borrowings from holding company and other group companies	7,654	6,722
	7,654	**6,722**

	As at 31 March 2020	As at 31 March 2019
2.7 : Trade Payables		
Payables to holding company and other group companies	40,309	37,079
Payables to others	-	1,357
	40,309	**38,436**

	As at 31 March 2020	As at 31 March 2019
2.8 : Other current financial liabilities		
Accrued expenses	20	3
Capital Creditors	-	-
	20	**3**

Other Liabilities

2.9 : Other Current Liabilities		
Advance from customers	46	-
Provision for staff benefit schemes	20	11
Salary & Bonus Payable	3	3
Due to statutory authorities	1	1
	70	**15**

Dr. Reddy's Venezuela, C.A.

Notes to the Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
2.10 : Other income		
Miscellaneous income	-	322
us other income		
Foreign exchange gain,net	-	-
Profit on sale of property, plant and equipment	-	69
	-	**391**

	For the year ended 31 March 2020	For the year ended 31 March 2019
2.11 : Employee benefits expense		
Salaries, wages and bonus	95	92
Contribution to provident and other funds	72	94
Staff welfare expenses	-	-
	167	**186**

	For the year 31 March 2020	For the year ended 31 March 2019
2.12 : Finance costs		
Interest on borrowings from holding company and other group companies	203	222
	203	**222**

	For the year ended 31 March 2020	For the year ended 31 March 2019
2.13 : Depreciation and amortisation expense		
Depreciation of Property,plant and equipment	-	4
	-	**4**

	For the year ended 31 March 2020	For the year ended 31 March 2019
2.14 : Other expenses		
Legal and professional	16	6
Travelling and conveyance	-	7
Rent	3	13
Insurance	1	-
Other general expenses	2	68
Foreign exchange loss, net	3,857	2,164
	3,879	**2,258**

Independent Auditors' Report

To the Members of
Euro Bridge Consulting B.V.

We have audited the accompanying financial statements of **Euro Bridge Consulting B.V.**, a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2020;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the Loss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 18th May 2020

UDIN: 20202367AAABPZ5349

Euro Bridge Consulting B.V.
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non Current assets			
Other Intangible assets	2.1	2,541,415	2,325,038
Financial assets			
Investments	2.2	-	-
		2,541,415	**2,325,038**
Current assets			
Financial assets			
Cash and cash equivalents	2.3	25,510	41,614
Other current assets	2.4	(0)	85
Total current assets		**25,510**	**41,699**
Total assets		**2,566,925**	**2,366,737**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.5	36,985	36,985
Other equity			
Retained earnings		(361,188)	(234,868)
Other reserves		474,691	458,776
Total equity		**150,488**	**260,893**
Non current liabilities			
Financial Liabilities			
Borrowings	2.6	2,165,478	1,931,560
		2,165,478	**1,931,560**
Current liabilities			
Financial Liabilities			
Trade payables	2.7	(313)	14
Other current financial liabilities	2.8	251,272	174,270
Total Liabilities		**250,959**	**174,284**
Total equity and liabilities		**2,566,925**	**2,366,737**
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Euro Bridge Consulting B.V.**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Rudolf Verrijk
Director

Roger Friedrichs
Director

Place: Hyderabad
Date: 18 May 2020

Euro Bridge Consulting B.V.

Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Continuing operations			
Foreign exchange gain,net		-	
Total Income		**-**	**-**
Expenses			
Employee benefit expenses	2.9	1,271	2,843
Finance costs	2.10	106,708	101,846
Selling and other expenses	2.11	18,340	109,165
Total expense		**126,320**	**213,854**
Loss before tax		**(126,320)**	**(213,854)**
Income tax expense		-	-
Loss for the year		**(126,320)**	**(213,854)**
Earnings per share:			
Basic earnings per share of EURO 10 each		(2,247.68)	(3,805.23)
Diluted earnings per share of EURO 10 each		(2,247.68)	(3,805.23)
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Euro Bridge Consulting B.V.**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Rudolf Verrijk
Director

Roger Friedrichs
Director

Place: Hyderabad
Date: 18 May 2020

Euro Bridge Consulting B.V.

Statement of Changes in Equity

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Total equity

Particulars	Share Capital		Reserves and Surplus			Total Equity
	Shares	Amount	Share Premium	Retained Earnings	Foreign currency translation reserve	
Balance as of 1 April 2019	**56,200**	**36,985**	**474,574**	**(234,868)**	**-**	**260,893**
Foreign currency translation adjustments	-	-	-	-	117	117
Loss for the period	-	-	-	(126,320)	-	(126,320)
Balance as of 31 March 2020	**56,200**	**36,985**	**474,574**	**(361,188)**	**117**	**134,690**

Particulars	Share Capital		Reserves and Surplus			Total Equity
	Shares	Amount	Share Premium	Retained Earnings	Foreign currency translation reserve	
Balance as of 1 April 2018	**56,200**	**36,985**	**474,574**	**(21,014)**	**-**	**490,545**
Issue of equity shares	-	-	-	-	(15,798)	(15,798)
Loss for the period	-	-	-	(213,854)	-	(213,854)
Balance as of 31 March 2019	**56,200**	**36,985**	**474,574**	**(234,868)**	**(15,798)**	**260,893**

As per our report of even date attached

for and on behalf of the Board of Directors of **Euro Bridge Consulting B.V.**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Rudolf Verrijk
Director

Roger Friedrichs
Director

Place: Hyderabad
Date: 18 May 2020

Euro Bridge Consulting B.V.

Cash Flow Statement

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Operating activities		
Loss before taxation	(126,320)	(213,854)
Adjustments to reconcile profit before tax to net cash flows:		
Net foreign exchange differences	13,438	(96,887)
Finance costs	106,708	101,846
Loss on sale of investments	-	104,498
Operating cash flows before working capital changes	**(6,173)**	**36,762**
Working capital adjustments:		
Trade payables	(327)	(73)
Other assets and liabilities, net	77,351	179,137
	70,851	**74,667**
Income tax paid	-	-
Net cash flows from operating activities	**70,851**	**74,667**
Net cash flows used in investing activities		
Purchase of intangible assets	(216,377)	**(84,144)**
Sale of investments in subsidiaries		**47,554**
Net cash flows used in investing activities	**(216,377)**	**(36,590)**
Net cash flows from/ (used in) financing activities		
Proceeds from / (Repayment of) long term borrowings,net	127,362	2,006
	127,362	**2,006**
Net increase / (decrease) in cash and cash equivalents	(18,165)	40,083
Cash and cash equivalents at the beginning of the year	41,614	2,818
Effect of foreign exchange loss on cash and cash equivalents	2,061	(1,287)
Cash and cash equivalents at the end of the year	**25,510**	**41,614**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	25,510	41,614
Cash and bank balances at the end of the year	**25,510**	**41,614**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of **Euro Bridge Consulting B.V.**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Rudolf Verrijk
Director

Roger Friedrichs
Director

Place: Hyderabad
Date: 18 May 2020

Euro Bridge Consulting B.V.
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
Euro Bridge Consulting B.V. (" the Company") incorporated in Netherlands , is a 100% subsidiary of Reddy Netherlands B.V. with effect from 28 March 2018 *(formerly 100% subsidiary of Dr. Reddy's Research & Development B.V.).*

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies
Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Revenue from contracts with customers
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.
Services Income
Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.
License fee
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Euro Bridge Consulting B.V.
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

• the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
• differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
• taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the statement of profit and loss.

Amortisation

Amortisation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortised from the date they are available for use.

Euro Bridge Consulting B.V.
Significant Accounting Policies & Notes to financial statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Companny commits to purchase or sell the asset.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Euro Bridge Consulting B.V.

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

1.5 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses, as the company is supported by its parent company in its activities and financial affairs.

1.6 Related Party Transactions

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest expense to holding and other group companies		
Dr. Reddy's Research & Development B.V.	106,708	101,846

b. The company has the following amounts due from/to related parties :

Particulars	As at 31 March 2020	As at 31 March 2019
Due to holding company and other group companies(included in financial liabilities -borrowings and other current liabilities):		
Dr. Reddy's Research & Development B.V.	2,416,186	2,105,454

1.7 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.8 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

Euro Bridge Consulting B.V.
Notes to Financial Statements
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.1 : Other intangible assets

	Gross Block				Amortisation				Net Block	
Description	**As at 01.4.2019**	**Additions**	**Disposals**	**As at 31.03.2020**	**As at 01.4.2019**	**For the year**	**Disposals**	**As at 31.03.2020**	**As at 31.03.2020**	**As at 31.03.2019**
Product related intangibles	2,325,038	216,377	-	2,541,415	-	-	-	-	2,541,415	2,325,038
									-	-
Total intangible assets	**2,325,038**	**216,377**	**-**	**2,541,415**	**-**	**-**	**-**	**-**	**2,541,415**	**2,325,038**
Previous Year	-	2,325,039	-	2,325,039	-	-	-	-	2,325,039	-

Euro Bridge Consulting B.V.

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to the financial statements

Financial Assets

Investments carried at cost	**As at 31 March 2020**	**As at 31 March 2019**
2.2: Investments in subsidiary companies		
OOO DRS LLC	-	-
	-	-

2.3 : Cash and cash equivalents	**As at 31 March 2020**	**As at 31 March 2019**
Balances with banks:		
- On current accounts	25,510	41,614
Cash and cash equivalents	**25,510**	**41,614**

Other non-financial assets

2.4 : Other current assets	**As at 31 March 2020**	**As at 31 March 2019**
Balances with statutory authorities	0	85
Other current assets	**0**	**85**

2.5 : Share capital	**As at 31 March 2020**	**As at 31 March 2019**
Authorised Share Capital		
100,000 (Previous year : 100,000) equity shares of Euro 10 each	55,863	55,863
Issued equity capital		
56,200 (Previous year : 56,200) equity shares of Euro 10 each	36,985	36,985
Subscribed and fully paid-up		
56,200 (Previous year : 56,200) equity shares of Euro 10 each	36,985	36,985
	36,985	**36,985**

(a) **Reconciliation of the equity shares outstanding is set out below:**

Particulars	**As at 31 March 2020**		**As at 31 March 2019**	
	No. of equity shares	**Amount**	**No. of equity shares**	**Amount**
Number of shares outstanding at the beginning of the year	56,200	36,985	56,200	36,985
Add:Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	**56,200**	**36,985**	**56,200**	**36,985**

(b) **Terms / rights attached to the equity shares**

The company has only one class of equity shares having a par value of Euro 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) **Details of shareholders holding more than 5% shares in the Company**

Particulars	**As at 31 March 2020**		**As at 31 March 2019**	
	No. of equity shares held	**% holding in the class**	**No. of equity shares held**	**% holding in the class**
Dr. Reddy's Research & Development B.V.	-	-	56,200	100%
Reddy Netherlands B.V.	56,200	100%	-	-

Financial Liabilities

2.6 : Borrowings	**As at**	**As at**
Non-current Borrowings	**31 March 2020**	**31 March 2019**
From other parties		
Long term borrowings from holding company and other group companies	2,165,478	1,931,560
	2,165,478	**1,931,560**

2.7 : Trade payables	**As at 31 March 2020**	**As at 31 March 2019**
Trade payables	(313)	14
	(313)	**14**

2.8 : Other financial liabilities	**As at 31 March 2020**	**As at 31 March 2019**
Other current financial liabilities		
Accrued expenses	564	376
Other liabilities payable to holding and other group companies	250,708	173,894
	251,272	**174,270**

2.9 : Employee benefit expenses	**For the year ended 31 March 2020**	**For the year ended 31 March 2019**
Salaries, wages and bonus	1,271	2,843
	1,271	**2,843**

2.10 : Finance costs	**For the year ended 31 March 2020**	**For the year ended 31 March 2019**
Interest on long term borrowings	106,708	101,846
	106,708	**101,846**

2.11 : Selling and other expenses	**For the year ended 31 March 2020**	**For the year ended 31 March 2019**
Legal and professional	42	4,475
Loss on sale of investments	-	104,498
Other general expenses	18,298	192
	18,340	**109,165**

Board’s Report

Dear Members,

Your directors present the 20th Board’s Report of the Company for the year ended 31 March 2020.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2019-20 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2020	31 March 2019
Profit/(Loss) for the period after taxation	38	20
Balance brought forward	(14,139)	(14,159)
Balance carried forward to Balance Sheet	(14,101)	(14,139)

State of Company's Affairs

The Company holds land to carry out its activities. However, it did not carry out any operations during the year.

Change in the Nature of Business, if any

During the year, there was no change in the nature of business of the Company.

Dividend

Your directors do not recommend any dividend for the financial year ending 31 March 2020.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

Share Capital

During the year under review, there was no change in the share capital of the Company.

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments Affecting the Financial Position of the Company

No material changes and commitments affecting the financial position of the Company, has occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Subsidiaries and Associates

The Company is a subsidiary of Dr. Reddy's Laboratories Limited. DRL Impex Limited is a wholly owned subsidiary of the Company.

Pursuant to Section 129(3) of the Companies Act, 2013 and Rule 6 of the Companies (Accounts) Rules, 2014, where a company has one or more subsidiaries or associate companies, it shall, in addition to financial statements, prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards, which shall also be laid before the annual general meeting of the company along with the laying of its financial statement.

However the Ministry of Corporate Affairs vide its circulars dated July 27, 2016 has clarified that the provisions pertaining to manner of consolidation of accounts shall not be applicable if

a) the members have been intimated in writing for not presenting the financial statements and the members do not object to the same; and

b) ultimate holding company files the consolidated financial statements with the Registrar which are in compliance with the applicable accounting standards.

The Company has written to its members for its intention of not presenting the consolidated financial statements and no objects has been received. Further, the Company's holding company, i.e. Dr. Reddy's Laboratories Limited prepares and files the consolidated financial statements with the Registrar which are in compliance with the applicable accounting standards. Therefore, the relevant provisions regarding consolidation of accounts of its wholly owned subsidiaries are not applicable to the Company.

A statement containing the salient features of the financial statement of its subsidiaries in prescribed Form AOC-1 is attached as **"Annexure – I"** to the Board's Report.

Particulars of Loans, Guarantees or Investments

Details of loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 form part of the notes to financial statements provided in this Annual Report.

Number of Board meetings

The Company's board met four times during the year: 15 May 2019, 26 July 2019, 30 October 2019 and 24 January 2020.

Board of Directors

During the year under review, Mr. Sujit Kumar Mahato (DIN: 07599067) was appointed as an Additional Director of the Company with effect from May 15, 2019. Mr. Sujit Kumar Mahato was further appointed as director with effect from July 15, 2019, liable to retire by rotation, at the 19th AGM of the Company. Mr. Satish Reddy (DIN: 00129701) resigned as a director of the Company w.e.f. May 15, 2019.

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. G V Prasad (DIN: 00057433), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. The board recommends his re-appointment for approval at the ensuing Annual General Meeting.

The brief profile of Mr. G. V, Prasad is given in the notice convening 20th Annual General Meeting, for reference of shareholders.

The Company is not required to appoint any key managerial personnel under Section 203(1) of the Companies Act, 2013.

Further, the Company was not required to have independent directors during the year 2019-20. Hence, the declaration by independent directors under section 149(6) is not applicable.

Secretarial Standards

The directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The Company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2019-20 and of the profit of the Company for that period;
3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. annual accounts have been prepared on a going concern basis; and
5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Corporate Social Responsibility

Since the Company did not reach the threshold limit of net worth or turnover or net profit, during the immediate preceding financial year as stated in Section 135(1) of the Companies Act, 2013, therefore, the Company was not required to constitute a Corporate Social Responsibility Committee. Hence, provisions with regard to CSR Committee, CSR policy and CSR spent/initiatives were not applicable to the Company during the year.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

The Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are applicable to the Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as **"Annexure II".**

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report.

Statutory Auditors

M/s. A. Ramachandra Rao & Co., Chartered Accountants (Firm's Registration No. 002857S) were re-appointed as statutory auditors for a period of 5 years commencing from the conclusion of 19th AGM till the conclusion of the 24th AGM in terms of Section 139 of the Companies Act, 2013 and the rules made thereunder.

The Ministry of Corporate Affairs (MCA) vide its notification dated May 7, 2018, has omitted the requirement under the first proviso to section 139 of the Companies Act, 2013 and rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of statutory auditor by shareholders at every AGM.

Consequently, M/s. A. Ramachandra Rao & Co., Chartered Accountants continue to be the statutory auditors of the Company till the conclusion of 24th AGM, as approved by the shareholders at the 19th AGM of the Company.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their report. During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013.

Significant and Material Orders passed by the Court/Regulators

During the year under review, there were no significant and/or material orders, passed by any Court or Regulators or Tribunal which may impact the going concern status or the Company's operations in future.

Particulars of Employees

None of the employees of the Company draw salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

Since the Company did not have any operations during the year, the particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable.

Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Since the Company has no employees during the year, the Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was not constituted. However, the Company being a wholly-owned subsidiary of Dr. Reddy's Laboratories Limited (DRL), the Internal Complaints Committee of DRL would address any such complaint from time to time.

Maintenance of cost records

Since the Company did not have any operations, it was not required to maintain cost records as required under the provisions of Section 148(1) of the Companies Act, 2013.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are attached as **"Annexure III"** to this Report.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the Company during the year.

For and on behalf of the Board of Directors

Date: May 11, 2020
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

M V Narasimham
Director
DIN: 02677423

Annexure-I

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Rs. in thousands)

Sl. No.	Particulars	Details
1.	Name of the subsidiary	DRL Impex Limited
2.	Date since when the subsidiary was acquired	14.09.2016
3.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA
4.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	INR
5.	Share capital	Rs. 760,000
6.	Reserves & surplus	Rs. (761,863)
7.	Total assets	Rs. 10,952
8.	Total Liabilities	Rs. 10,952
9.	Investments	-
10.	Turnover	-
11.	Profit before taxation	Rs. (61)
12.	Provision for taxation	-
13.	Profit after taxation	Rs. (61)
14.	Proposed Dividend	-
15.	Extent of shareholding (in %)	100%

There was no subsidiary which is yet to commence the operations. Further, none of the subsidiary have been liquidated or sold during the year.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures: NIL

For and on behalf of the Board of Directors

Date: May 11, 2020
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

M V Narasimham
Director
DIN: 02677423

Annexure- II

FORM NO. AOC – 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

(a)	Name(s) of the related party and nature of relationship	**Not Applicable**
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	**None**
(b)	Nature of contracts/arrangements/ transactions	
(c)	Duration of the contracts/arrangements transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Date(s) of approval by the Board, if any	
(f)	Amount paid as advances, if any	

For and on behalf of the Board of Directors

Date: May 11, 2020
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

M V Narasimham
Director
DIN: 02677423

ANNEXURE - III

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2020
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

Sl. No.	Particulars	Details
i)	CIN	U72200TG2000PTC034473
ii)	Registration Date	May 22, 2000
iii)	Name of the Company	Idea2Enterprises (India) Private Limited
iv)	Category/Sub-Category of the Company	Limited by Shares
v)	Address of the Registered office and contact details	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sr. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
NA			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500 034	L85195TG1984PLC004507	Holding	99.996	2(46)
2	DRL Impex Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500 034	U65990TG1986PLC006695	Subsidiary	100	2(87)(ii)

* Represents aggregate % of shares held by the Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	2,499,826	2,499,826	100	0	2,499,826	2,499,826	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	**2,499,826**	**2,499,826**	100	0	**2,499,826**	**2,499,826**	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0

Total shareholding of Promoter (A)=(A)(1)+(A)(2)	**0**	**2,499,826**	**2,499,826**	**100**	**0**	**2,499,826**	**2,499,826**	**100**	**0**
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**0**	**2,499,826**	**2,499,826 (*)**	**100**	**0**	**2,499,826**	**2,499,826 (*)**	**100**	**0**

(*) Out of 2,499,826 equity shares, 10 equity share held by Mr. K Satish Reddy as nominee shareholder on behalf of Dr. Reddy's Laboratories Limited, Holding Company and 100 shares are held by Dr. Reddy's Bio-Sciences Limited (Wholly owned subsidiary of Dr. Reddy's Laboratories Limited)

ii) Shareholding of Promoters

Sr. no.	**Category of Shareholders**	**No. of shares held at the beginning of the year**			**No. of shares held at the end of the year**			**% change during the year**
		No. of Shares	**% of total shares of the company**	**% of Shares Pledged / encumbered to total shares***	**No. of Shares**	**% of total shares of the company**	**% of Shares Pledged / encumbered to total shares***	
1	Dr. Reddy's Laboratories Limited	2,499,726	99.996	0	2,499,726	99.996	0	0.00
2	Dr. Reddy's Bio Sciences Limited	100	0.004	0	100	0.004	0	0.00
		2,499,826	**100**	**0**	**2,499,826**	**100**	**0**	**0**

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	**% of total shares of the company**	**No. of Shares**	**% of total shares of the company**
At the beginning of the year	**2,499,826**	100	**2,499,826**	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc)	No Change			
At the End of the year	**2,499,826**	**100**	**2,499,826**	**100**

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	**Shareholding at the beginning of the year**		**Shareholding at the end of the year**	
	No. of shares	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	**Name**	**Date**	**Shareholding at the beginning of the year**		**Increase / (Decrease) in Shareholding, if any**	**Reason**	**Cumulative Shareholding during the year**	
			No. of Shares (*)	**% of total shares of the company**			**No. of Shares**	**% of total shares of the company**
A. DIRECTORS								
1	Mr. G V Prasad	01.04.2019	0	0	0	0	0	0
		31.03.2020	0	0	0	0	0	0
2	Mr. Satish Reddy[(1)*]	01.04.2019	10	0	0	0	10	0
		15.05.2019	10	0	0	0	10	0
3	Mr. Sujit Kumar Mahato[(2)]	15.05.2019	0	0	0	0	0	0
		31.03.2020	0	0	0	0	0	0
4	Mr. M V Narasimham	01.04.2019	0	0	0	0	0	0
		31.03.2020	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
Nil								

***** Held as Nominee shareholder of Dr. Reddy's Laboratories Limited, Holding Company.
(1) Resigned w.e.f. 15 May 2019.
(2)Appointed w.e.f. 15 May 2019.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment –

(Rs. in thousands)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2019)				
i) Principal Amount	-	3,600	-	3,600
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	3,600	-	3,600
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2020)				
i) Principal Amount	-	3,600	-	3,600
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	3,600	-	3,600

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager – Not applicable

B) Remuneration of other directors – No remuneration was paid to directors.

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager – Not applicable

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES – There were no penalties/punishments/compounding of offences during the year.

For and on behalf of the Board of Directors

Date: May 11, 2020
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

M V Narasimham
Director
DIN: 02677423

A. Ramachandra Rao & Co.
Chartered Accountants

3rd Floor, D.No. 6-2-975
Flat No. 302, A-Block, Kushal Towers
Khairtabad, Hyderabad- 500 004.

Tel: 040-27633677
E-mail: admin@arrandco.org

To
Members
Idea2 Enterprises (India) Private Limited

Report on the Audit of Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Ind AS financial statements of **Idea2 Enterprises (India) Private Limited ("the Company")**, which comprise the Balance sheet as at 31st March 2020, the Statement of Profit and Loss, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.



A. Ramachandra Rao & Co.
Chartered Accountants

3rd Floor, D.No. 6-2-975
Flat No. 302, A-Block, Kushal Towers
Khairtabad, Hyderabad- 500 004.

Tel: 040-27633677
E-mail: admin@arrandco.org

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards of Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



A. Ramachandra Rao & Co.
Chartered Accountants

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2020, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order,2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account

e) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations received from the directors as on 31st March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2020 from being appointed as a director in terms of Section164(2) of the Act.

f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position



A. Ramachandra Rao & Co.
Chartered Accountants

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund.

Place : Hyderabad
Date: 11/05/2020

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002857S

P S R V V Surya Rao
Partner
Membership No. 202367
UDIN No: 20202367AAADEG5270

A. Ramachandra Rao & Co.
Chartered Accountants

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Tel: 040-27633677
E-mail: admin@arrandco.org

ANNEXURE TO THE AUDITORS' REPORT
(Idea2 Enterprises (India) Private Limited)
(Of even date referred to in Para 1 of our Report)

(i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

b) All the Fixed Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and, to the best of our knowledge, no material discrepancies were noticed on such verification;

c) Based on the information given to us, the title deeds of the properties are held in the name of the Company.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(iii) Based on the information provided to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) are not applicable to the Company for the year.

(iv) Based on the information provided to us, the Company has not given any loan, guarantee, nor provided any security in connection with a loan and not acquired any security during the year and hence, in our opinion, the clause 3(iv) is not applicable to the Company during the year.

(v) Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 3(v) is not applicable to the Company for the year.

(vi) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues, to the extent applicable, including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable

(b) According to the information and explanations given to us, there are no dues of VAT, income tax, customs duty, excise duty, service tax, cess to be deposited on account of any dispute and hence, clause 3(vii)(b) of the Order is not applicable to the Company during the year.



A. Ramachandra Rao & Co.
Chartered Accountants

(viii) Based on the information provided and explanation given to us, the Company has not taken any loans from Banks / Financial Institutions / Government / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

(ix) According to the information and explanations given to us, the Company has not raised any monies by way of IPO / further public offer not has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

(x) In our opinion and according to the information provided and explanations offered to us, no fraud on or by the Company has been noticed or reported during the year.

(xi) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 the Company has not paid any managerial remuneration during the year and hence clause 3(xi) of the Order is not applicable to the Company for the period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act, 2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;

(xiv) The Company has not made any preferential allotment of shares during the year and during the year under review and hence, clause 3(xiv) is not applicable to the Company during the year.

(xv) As per the information given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) is not applicable to the Company during the year.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 11/05/2020

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

A. Ramachandra Rao & Co.
Chartered Accountants

3rd Floor, D.No. 6-2-975
Flat No. 302, A-Block, Kushal Towers
Khairtabad, Hyderabad- 500 004.

Tel: 040-27633677
E-mail: admin@arrandco.org

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF Idea2 Enterprises (India) Private Limited
[Re : Clause 2(f) of the independent auditors report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Idea2 Enterprises (India) Private Limited, as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that



(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
(2)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place : Hyderabad
Date: 11/05/2020

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 002857S

A. Ramachandra Rao & Co. HYDERABAD

P S R V V Surya Rao
Partner
Membership No. 202367

UDIN: 20202367AAABEG5240

Idea2enterprises (India) Private Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	1,449,989	1,449,989
Financial assets			
Investments	2.2	88,237	88,237
Other financial assets	2.4	1,000	950
Tax assets (net)	2.5	35	35
		1,539,261	**1,539,211**
Current assets			
Financial assets			
Cash and cash equivalents	2.3	38	53
Other financial assets	2.4	17	14
		55	**67**
Total assets		**1,539,316**	**1,539,278**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.6	24,998	24,998
Other equity		1,510,703	1,510,665
		1,535,701	**1,535,663**
Liabilities			
Current liabilities			
Financial liabilities			
Other financial liabilities	2.7	3,615	3,615
		3,615	**3,615**
Total equity and liabilities		**1,539,316**	**1,539,278**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Firm registration number: 202367

for and on behalf of the Board of Directors of
Idea2enterprises (India) Private Limited
CIN: U72200TG2000PTC034473

Sujit Kumar Mahato
Director
DIN : 0007599067

Venkatanarasimham Mannam
Director
DIN : 0002677423

Place: Hyderabad
Date: 11-May-2020

Idea2enterprises (India) Private Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Income			
Revenue from operations		-	-
Other income	2.8	61	42
Total income		**61**	**42**
Expenses			
Other expenses	2.9	18	17
Total expenses		**18**	**17**
Profit/(Loss) before tax		**43**	**25**
Tax expense			
Current tax		5	5
Deferred tax		-	-
Profit/(Loss) for the year		**38**	**20**
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified subsequently to profit or loss		-	-
Total other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		**38**	**20**
Earnings per share:	2.10		
Basic earnings per share of Rs. 10/- each		0.02	0.01
Diluted earnings per share of Rs. 10/- each		0.02	0.01

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Firm registration number: 202367

for and on behalf of the Board of Directors of
Idea2enterprises (India) Private Limited
CIN: U72200TG2000PTC034473

Sujit Kumar Mahato
Director
DIN : 0007599067

Venkatanarasimham Mannam
Director
DIN : 0002677423

Place: Hyderabad
Date: 11-May-2020

Idea2enterprises (India) Private Limited
Statement of Cash Flows
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cash flows from/(used in) operating activities		
Profit before taxation	43	25
Adjustments:		
Interest income	(61)	(42)
Changes in operating assets and liabilities:		
Decrease in other liabilities	-	(44)
Cash used in for operations	**(18)**	**(61)**
Income taxes paid, net	(4)	(13)
Net cash used in operating activities	**(22)**	**(74)**
Cash flows from/(used in) investing activities		
Investment in fixed deposit	(50)	(950)
Interest income received	58	28
Net cash from/(used in) investing activities	**8**	**(922)**
Cash flows from/(used in) financing activities		
Net cash from/(used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(15)	(996)
Cash and cash equivalents at the beginning of the year (Refer note 2.3)	53	1,049
Cash and cash equivalents at the end of the year (Refer note 2.3)	**38**	**53**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Firm registration number: 202367

for and on behalf of the Board of Directors of
Idea2enterprises (India) Private Limited
CIN: U72200TG2000PTC034473

Sujit Kumar Mahato
Director
DIN : 0007599067

Venkatanarasimham Mannam
Director
DIN : 0002677423

Place: Hyderabad
Date: 11-May-2020

Idea2enterprises (India) Private Limited
Statement of changes in equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Equity share capital		Other components of equity					Total equity
			Reserves and surplus			Other comprehensive income/(loss)	Total other equity	
	No.of Shares	Amount	Securities premium	Revaluation reserve	Retained earnings			
Balance as at 1 April 2018	**2,499,826**	**24,998**	**87,840**	**1,436,964**	**(14,159)**	-	**1,510,645**	**1,535,643**
Profit for the year	-	-	-	-	20	-	20	20
Balance as of 31 March 2019	2,499,826	24,998	87,840	1,436,964	(14,139)	-	1,510,665	1,535,663
Balance as at 1 April 2019	**2,499,826**	**24,998**	**87,840**	**1,436,964**	**(14,139)**	-	**1,510,665**	**1,535,663**
Profit for the year	-	-	-	-	38	-	38	38
Balance as of 31 March 2020	2,499,826	24,998	87,840	1,436,964	(14,101)	-	1,510,703	1,535,701

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Firm registration number: 202367

for and on behalf of the Board of Directors of
Idea2enterprises (India) Private Limited
CIN: U72200TG2000PTC034473

Sujit Kumar Mahato
Director
DIN : 0007599067

Venkatanarasimhaar Mannam
Director
DIN : 0002677423

Place: Hyderabad
Date: 11-May-2020

1.1 Description of the Company

The financial statements comprise of Idea2enterprises (India) Private Limited ("the Company") for the year ended 31 March 2020. The company is a private company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The registered office of the Company is located in Hyderabad, Telangana, India.

1.2 Basis of preparation of financial statements

a) **Statement of compliance**

The financial statements of the Company as at and for the year ended 31 March 2020 have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

These financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective or elected for early adoption at the Company's annual reporting date, 31 March 2020. These financial statements were authorised for issuance by the Company's Board of Directors on 11 May 2020.

b) **Basis of measurement**

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

- financial assets are measured either at fair value or at amortised cost depending on the classification;
- long-term borrowings, except obligations under finance leases, are measured at amortised cost using the effective interest rate method;
- assets held for sale are measured at fair value less costs to sell

c) **Functional and presentation currency**

These financial statements are presented in Indian rupees, which is the functional currency of the company. All financial information presented in Indian rupees has been rounded to the nearest thousands.

d) **Use of estimates and judgements**

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

e) **Current and non-current classification**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of Financial Statements.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets and liabilities include the current portion of non-current assets and liabilities respectively. All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

1.3 Significant accounting policies

a) **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVTOCI);
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL); and
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest earned while holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Equity investments

All equity investments within the scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity investments designated as FVTOCI are not subject to impairment assessment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Investments in subsidiaries and joint venture:

Investments in subsidiaries and joint venture are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

• The rights to receive cash flows from the asset have expired; or

• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of trade receivables and other financial assets

In accordance with Ind AS 109, the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables or any contractual right to receive cash or another financial asset.

For this purpose, the Company follows a 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of this simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to the statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as fair value through profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having original maturities of three months or less from the date of investment. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

b) **Property, plant and equipment**

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed as such under other non-current assets. Assets not ready for use are not depreciated but are tested for impairment.

c) **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at 31 March.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised in the statement of profit and loss if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

d) **Provisions**

A provision is recognised in the statement of profit and loss if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

e) **Contingent liabilities and contingent assets**

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

f) **Revenue**

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind AS

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

g) **Other income and finance cost**

Other income consists of interest income on funds invested, dividend income and gains on the disposal of assets. Interest income is recognised in the statement of profit and loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of profit and loss on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognised in the statement of profit and loss using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

h) **Income tax**

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

• temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;

• temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

• taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealised inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognised using the tax rate of the jurisdiction in which such inventories are held.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

i) **Earnings per share**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

2.1 Property, plant and equipment

Particulars	Land	Total
Gross carrying value		
Balance as at 1 April 2018	1,449,989	1,449,989
Additions	-	-
Disposals	-	-
Balance as at 31 March 2019	**1,449,989**	**1,449,989**
Balance as at 1 April 2019	1,449,989	1,449,989
Additions	-	-
Disposals	-	-
Balance as at 31 March 2020	**1,449,989**	**1,449,989**
Accumulated Depreciation		
Balance as at 1 April 2018	-	-
Depreciation for the year	-	-
Disposals	-	-
Balance as at 31 March 2019	**-**	**-**
Balance as at 1 April 2019	-	-
Depreciation for the year	-	-
Disposals	-	-
Balance as at 31 March 2020	**-**	**-**
Net carrying value		
As at 31 March 2019	1,449,989	1,449,989
As at 31 March 2020	1,449,989	1,449,989

Financial assets

2.2 Investments

Particulars	As at 31 March 2020	As at 31 March 2019
Non-current		
Investment carried at cost (Unquoted)		
In subsidiary		
76,000,000 (31 March 2019: 76,000,000) equity shares of Rs. 10 each in DRL Impex Limited	88,237	88,237
Total non-current investments	**88,237**	**88,237**

2.3 Cash and cash equivalents

Particulars	As at 31 March 2020	As at 31 March 2019
Balances with banks		
In current accounts	38	53
Cash and cash equivalents	**38**	**53**

2.4 Other financial assets

Particulars	As at 31 March 2020	As at 31 March 2019
Non-current		
Investment carried at amortised cost (Unquoted)		
Deposit with bank	1,000	950
	1,000	**950**
Current		
Considered good, unsecured		
Interest accured but not due on bank deposit	17	14
	17	**14**

2.5 Tax asset

Particulars	As at 31 March 2020	As at 31 March 2019
Advance tax	9	9
TDS receivable	31	31
Less: Income Taxes Payable	(5)	(5)
	35	35

2.6 Share capital

Particulars	As at 31 March 2020	As at 31 March 2019
Authorised share capital		
2,500,000 equity shares of Rs. 10/- each (31 March 2019: 2,500,000)	25,000	25,000
Issued equity capital		
2,499,826 equity shares of Rs. 10/- each (31 March 2019: 2,499,826)	24,998	24,998
Subscribed and fully paid-up		
2,499,826 equity shares of Rs. 10/- each fully paid-up (31 March 2019: 2,499,826)	24,998	24,998
	24,998	24,998

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
	No. of shares	Amount	No. of shares	Amount
Opening number of equity shares/share capital	2,499,826	24,998	2,499,826	24,998
Add: Shares issued during the year	-	-	-	-
Closing number of equity shares/share capital	**2,499,826**	**24,998**	**2,499,826**	**24,998**

(b) Terms / rights attached to the equity shares

The company has only one class of equity share having a par value of Rs.10/- per share . Each holder of equity share is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of shares held	% holding in the class	No. of shares held	% holding in the class
Dr. Reddy's Laboratories Limtied (including shares held by nominees)	2,499,726	100.00%	2,499,726	100%
Dr. Reddy's Bio-Sciences Limited	100	0.00%	100	0.00%

Financial liabilities

2.7 Other financial liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
Current		
Accrued expenses		
Due to related party - holding company	3,600	3,600
Due to other than related party	15	15
	3,615	**3,615**

2.8 Other income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income on fixed deposits	61	42
	61	**42**

2.9 Other expenses

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Rates and taxes	2	-
Auditors' remuneration (Audit fee)	15	15
Bank charges	1	2
	18	**17**

2.10 Earnings Per Share

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit for the year	38	20
Weighted average number of equity shares		
outstanding during the year - Basic	2,499,826	2,499,826
outstanding during the year - Diluted	2,499,826	2,499,826
Earnings Per Share:		
Basic (face value of Rs.10/-)	0.02	0.01
Diluted (face value of Rs.10/-)	0.02	0.01

2.11 Related Parties

A. List of related parties:

Name of the party	Nature of relationship
Dr. Reddy's Laboratories Limited	Holding Company
Dr. Reddy's Bio-Sciences Limited	Fellow subsidiary
DRL Impex Limited	Subsidiary

B. Particulars of related parties transactions:
There are no transactions with related party during the current and previous financial year.

C.The Company has the following amounts due to related parties:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Dr. Reddy's Laboratories Limited		
Other current liabilities	3,600	3,600

2.12 Employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

2.13 Segment Reporting

In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

2.14 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006

Based on the information available with the Company, there are no vendors who are registered as micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006", as at March 31, 2020 and March 31, 2019.

2.15 Impairment of Assets

In the opinion of the management, there is no impairment of its assets as on 31 March 2020 requiring recognition in terms of Ind AS 36.

2.16 Financial Instruments

The carrying value and fair value of financial instruments as at 31 March 2020 and 31 March 2019 were as follows:

	Carrying Values		Fair Values		Hierarchy
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	
Financial assets					
At amortised cost					
Cash and cash equivalents	38	53	38	53	Level-3
Other financial assets	1,017	964	1,017	964	Level-3
Carried at cost					
Investment	88,237	88,237	88,237	88,237	Level 3
Total	**89,292**	**89,254**	**89,292**	**89,254**	
Financial liabilities					
At amortised cost					
Other financial liabilities	3,615	3,615	3,615	3,615	Level-3
Total	**3,615**	**3,615**	**3,615**	**3,615**	

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements are a reasonable approximation of their fair values since the Company does not anticipate that the carrying amounts would be significantly different from the values that would eventually be received or settled.

2.17 Financial Risk Management

The Company's activities expose to liquidity risk. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing the Company's risk assessment and management policies and processes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Management monitors rolling forecasts of the Company's cash flow position and ensures that the Company is able to meet its financial obligations at all times including contingencies with the support from holding company.

2.18 Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt. The capital gearing ratio as on 31 March 2020 and 31 March 2019.

Particulars	As at 31 March 2020	As at 31 March 2019
Other financial liabilities	3,615	3,615
Total debts	**3,615**	**3,615**
Equity	24,998	24,998
Other Equity	1,510,703	1,510,665
Total Capital	**1,535,701**	**1,535,663**
Capital and debt	**1,539,316**	**1,539,278**
Gearing ratio (%)	0.23%	0.23%

2.19 Subsequent events

There are no significant events that occurred after the balance sheet date.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002867S

P S R V V Surya Rao
Partner
ICAI Firm registration number: 202367

for and on behalf of the Board of Directors of
Idea2enterprises (India) Private Limited
CIN: U72200TG2000PTC034473

Sujit Kumar Mahato
Director
DIN : 0007599067

Venkatanarasimham Mannam
Director
DIN : 0002677423

Place: Hyderabad
Date: 11-May-2020

Board's Report

Dear Members,

Your directors are pleased to present the 29th Board's Report of the Company for the year ended 31 March 2020.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2019-20 as compared to previous financial year:

(Rs. in Thousands)

Particulars	31 March 2020	31 March 2019
Total Revenue	1361	1611
Profit Before Tax	1331	1399
Profit After Tax	1070	984

Company's Affairs

The Company's net revenue for the year was Rs. 13.61 lakhs as against Rs 16.11 lakhs in the previous year. The profit before tax (PBT) was Rs. 13.32 lakhs as against Rs. 13.99 lakhs in the previous year. The profit for the year increased to Rs. 12.49 lakhs compared to Rs. 9.84 lakhs in the previous year.

Change in the Nature of Business, if any

During the year, there was no change in the nature of business of the Company.

Dividend

Your directors do not recommend any dividend for the financial year ending 31 March 2020.

Transfer to reserves

The Company has transferred an amount of Rs. 2,13,969/- amounting to twenty per cent of net profit of FY 2019-20 to Reserve Fund pursuant to Section 45-IC of Reserve Bank of India Act, 1934.

Share Capital

During the year under review, there was no change in the share capital of the Company.

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments Affecting the Financial Position of the Company

No material change and commitments affecting the financial position of the Company, has occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Particulars of Loans, Guarantees or Investments

The Company has not made any loans, guarantees and investments under section 186 of the Companies Act. 2013 during the year under review.

Subsidiaries and Associates

The Company does not have any subsidiary, joint venture or associate company.

Number of Board meetings

The Company's board met five times during the year: 8 April 2019, 15 May 2019, 26 July 2019, 30 October 2019 and 24 January 2020.

Board of Directors and Key Managerial Personnel

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Sandeep Poddar (DIN: 07806719), retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, seeks re-appointment. The board recommends his re-appointment for approval at the ensuing AGM.

The brief profile of Mr. Sandeep Poddar is given in the notice convening 29th AGM, for reference of shareholders.

The Company is not required to appoint any key managerial personnel under Section 203(1) of the Companies Act, 2013.

Further, the Company was not required to have independent directors during the year 2019-20. Hence, the declaration by independent directors under Section 149(6) is not applicable.

Secretarial Standards

The directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The Company has also voluntarily adopted the recommendatory

Secretarial Standard-4 on ‘Report of the Board of Directors’ issued by the Institute of Company Secretaries of India.

Directors’ Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2019-20 and of the profit of the Company for that period;
3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. annual accounts have been prepared on a going concern basis; and
5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Corporate Social Responsibility

Since the Company did not reach the threshold limit of net worth or turnover or net profit, during the immediate preceding financial year as stated in Section 135(1) of the Companies Act, 2013, therefore, the Company was not required to constitute a Corporate Social Responsibility Committee. Hence, provisions with regard to CSR Committee, CSR policy and CSR spent/initiatives were not applicable to the Company during the year.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

The Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are made applicable to the Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams.

Statutory Auditors

M/s. A. Ramachandra Rao & Co., Chartered Accountants (Firm’s Registration No. 002857S) were re-appointed as statutory auditors for a period of 5 years commencing from the conclusion of 28th AGM till the conclusion of the 33rd AGM in terms of Section 139 of the Companies Act, 2013 and the rules made thereunder.

The Ministry of Corporate Affairs (MCA) vide its notification dated May 7, 2018, has omitted the requirement under the first proviso to section 139 of the Companies Act, 2013 and rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of statutory auditor by shareholders at every AGM.

Consequently, M/s. A. Ramachandra Rao & Co., Chartered Accountants continue to be the statutory auditors of the Company till the conclusion of 33rd AGM, as approved by the shareholders at the 28th AGM of the Company.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their report. During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013.

Particulars of Employees

None of the employees of the Company draws salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable.

Related Party Transactions

During the year under review, the Company has not entered into contract or arrangement falling under the ambit of Section 188 of the Companies Act, 2013. Hence disclosure of particulars of contracts or arrangements with related parties in Form AOC-2 is not applicable.

Significant and Material Orders passed by the Court/Regulators

None

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

Since the Company did not have any operations during the year, the particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable.

Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Since the Company has no employees during the year, the internal complaints committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 was not constituted. However, the Company being a wholly-owned subsidiary of Dr.

Reddy's Laboratories Limited (DRL), the internal complaints committee of DRL would address any such complaint from time to time.

Maintenance of cost records

Since the Company is not engaged in the production of the goods or providing services, it was not required to maintain cost records as required under the provisions of Section 148(1) of the Companies Act, 2013.

Extract of the Annual Return

The details forming part of the extract of the annual return in Form MGT-9 are attached as **"Annexure I"** to this Report.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the Company during the year.

For and on behalf of the Board of Directors

Date: May 11, 2020
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

Kiran Yanamandra
Director
DIN: 07762357

ANNEXURE I

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2020
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

Sl. No.	Particulars	Details
i)	CIN	U06519TG1991PTC126383
ii)	Registration Date	August 6, 1991
iii)	Name of the Company	Imperial Credit Private Limited
iv)	Category/Sub-Category of the Company	Private Company / Limited by Shares
v)	Address of the Registered office and contact details	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sr. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
1	Financial and Insurance Services	K65	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road No: 3, Banjara Hills, Hyderabad – 500034	L85195TG1984PLC004507	Holding	100	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	123,000	123,000	100	0	123,000	123,000	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	123,000	123,000	100	0	123,000	123,000	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	**0**	**123,000**	**123,000**	**100**	**0**	**123,000**	**123,000**	**100**	**0**
B. PUBLIC SHAREHOLDING									
(1) Institutions									

a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**0**	**123,000**	**123,000***	**100**	**0**	**123,000**	**123,000***	**100**	**-**

(*) Out of 123,000 equity shares, 10 equity shares are held by one individual as nominee shareholder on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	**Name of Shareholders**	**No. of shares held at the beginning of the year**			**No. of shares held at the end of the year**			**% change during the year**
		No. of Shares	**% of total shares of the company**	**% of Shares Pledged / encumbered to total shares***	**No. of Shares**	**% of total shares of the company**	**% of Shares Pledged / encumbered to total shares**	
1	Dr. Reddy's Laboratories Limited*	**123,000**	**100%**	-	**123,000**	**100%**	-	Nil

(*) Out of 123,000 equity shares, 10 equity shares are held by 1 individual as nominee shareholder on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	**% of total shares of the company**	**No. of Shares**	**% of total shares of the company**
At the beginning of the year	**123,000**	**100%**	**123,000**	**100%**
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc)	No Change			
At the End of the year	**123,000**	**100%**	**123,000**	**100%**

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	**Shareholding at the beginning of the year**		**Shareholding at the end of the year**	
	No. of shares	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	**Name**	**Date**	**Shareholding at the beginning of the year**		**Increase / (Decrease) in Shareholding, if any**	**Reason**	**Cumulative Shareholding during the year**	
			No. of Shares (*)	**% of total shares of the company**			**No. of Shares**	**% of total shares of the company**
A. DIRECTORS								
1	Sujit Kumar	01.04.2019	0	0	0	-	0	0
		31.03.2020	0	0	0	-	0	0
2	Sandeep Poddar	01.04.2019	0	0	0	-	0	0
		31.03.2020	0	0	0	-	0	0
3	Kiran Yanamandra (as nominee of Dr. Reddy's Laboratories Limited)	01.04.2019	10	0	0	-	10	0
		31.03.2020	10	0	0	-	10	0
B. KEY MANAGEMENT PERSONNEL (KMPs) – Nil								

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment - NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager – Not applicable

B) Remuneration of other directors – No remuneration was paid to directors.

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager – NA

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES – There were no penalties/punishments/compounding of offences during the year.

For and on behalf of the Board of Directors

Date: May 11, 2020
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

Kiran Yanamandra
Director
DIN: 07762357

A. Ramachandra Rao & Co.
Chartered Accountants

3rd Floor, D.No. 6-2-975
Flat No. 302, A-Block, Kushal Towers
Khairtabad, Hyderabad- 500 004.

Tel: 040-27633677
E-mail: admin@arrandco.org

To
Members
IMPERIAL CREDIT PRIVATE LIMITED

Report on the Audit of Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Ind AS financial statements of IMPERIAL CREDIT PRIVATE LIMITED **("the Company")**, which comprise the Balance sheet as at 31st March 2020, the Statement of Profit and Loss, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report

Management's Responsibility for the Standalone Ind AS Financial Statements



Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards of Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.



Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to

- continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2020, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.



A. Ramachandra Rao & Co.
Chartered Accountants

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order,2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account

e) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations received from the directors as on 31st March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2020 from being appointed as a director in terms of Section164(2) of the Act.

f) As the Company is exempted from the reporting requirements under Section 143(3)(i) in terms of Notification issued dated 13th June 2017, a separate report on the internal financial controls is not required to be made.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund.

Place : Hyderabad
Date: 11/05/2020

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN : 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

UDIN:20202367AAABH17328

A. Ramachandra Rao & Co.
Chartered Accountants

3rd Floor, D.No. 6-2-975
Flat No. 302, A-Block, Kushal Towers
Khairtabad, Hyderabad- 500 004.

Tel: 040-27633677
E-mail: admin@arrandco.org

ANNEXURE TO THE AUDITORS' REPORT
IMPERIAL CREDIT PRIVATE LIMITED
(Of even date referred to in Para 1 of our Report)

(i) Based on the information provided and explanations offered to us, the Company does not have any fixed assets and hence para 3(i) of the Order is not applicable to the Company for the year under report.

(ii) In our opinion, as the company is an investment company, sub-clause (ii) of the order is not applicable to the company.

(iii) Based on the information and explanations provided to us, the company has not granted any loans, whether secured or unsecured, to the companies, firms or other parties covered in the Register maintained u/s Sec. 189 of the Companies Act, 2013 during the year. Hence sub clauses (a), (b) and (c) of clause 3(iii) of the order are not applicable to the company for the year.

(iv) Based on the information provided to us, the Company has not given any loan, guarantee, nor provided any security in connection with a loan and not acquired any security during the year and hence, in our opinion, the clause 3(iv) is not applicable to the Company during the year.

(v) Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 3(v) is not applicable to the Company for the year.

(vi) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) Based on the information provided to us, the Company is a non-banking financial company and had obtained a certificate of registration from the Reserve bank of India. Further

a. The Board of Directors of the company has passed a resolution for non-acceptance of any public deposits;

b. The company has not accepted any deposits from the public during the year; and

c. The prudential norms relating to income recognition, accounting standards, asset classification and provision for bad and doubtful debts are not applicable to it as it has not advanced any loans;

(viii) Based on the explanations given to us, the Company is not required to maintain any cost records and accounts as specified by the Central Government under Section 148 of the Companies Act, 2013.



(vii) (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including employees' state insurance, income-tax, sales-tax,

wealth tax, service tax, cess with the appropriate authorities and there are no outstanding statutory dues on the last day of the financial year for a period of more than six months from the date they became payable;

(b) According to the information provided and explanations offered to us, the company does not have any statutory dues which were not disputed on account of any dispute;

(viii) According to the information provided and explanations offered to us, the Company has not taken any loans or borrowings from any financial institution, Bank, Government or dues to debenture holders and hence clause 3(viii) of the Order is not applicable to the Company for the year under report;

(ix) According to the information provided and explanations offered to us, the Company has not raised any funds by Initial Public Officer or further public offer and hence clause 3(ix) of the Order is not applicable to the Company for the year under report;

(x) According to the information provided and explanations offered to us, no fraud by the Company on any fraud on the Company by its officers, employees have been noticed during the year under report;

(xi) According to the information provided and explanations offered to us, the Company has not paid any managerial remuneration during the year under report and hence Clause 3(xi) of the Order is not applicable to the Company for the year under report;

(xii) According to the information provided and explanations offered to us, the Company is not a Nidhi Company and hence clause 3(xii) of the Order is not applicable to the Company for the year under report;

(xiii) According to the Information provided and explanations offered to us, all the transactions with the related parties are in compliance with Section 177 and 180 of the Companies Act, 2013 and such transactions have been adequately disclosed in the Financial Statements as required by the applicable Accounting Standards;

A. Ramachandra Rao & Co. HYDERABAD Chartered Accountants

A. Ramachandra Rao & Co.
Chartered Accountants

(xiv) According to the information provided and explanations offered to us, the Company has not made any preferential allotment or private placement of shares and hence clause 3(xiv) of the Order is not applicable to the Company for the year under report;

(xv) According to the information provided and explanations offered to us, the Company has not entered into any cash transactions with the Directors or persons connected with them and hence clause 3(xv) of the Order is not applicable to the Company for the year under report;

(xvi) According to the information provided and explanations offered to us, the Company has obtained registration under Section 45IA of the Reserve Bank of India Act, 1934.

Place : Hyderabad
Date: 11/05/2020

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN : 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

UDIN: 20202367AAAB3L7328

A. Ramachandra Rao & Co.
Chartered Accountants

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Khairtabad, Hyderabad- 500 004.

Tel: 040-27633677
E-mail: admin@arrandco.org

Annex-1

Format of Statutory Auditors' Certificate (SAC)

We have examined the books of accounts and other records of **IMPERIAL CREDIT PRIVATE LIMITED** for the Financial Year ending **March 31, 2020** . On the basis of the information submitted to us, we certify the following:

Sl.	Particulars	Details
1	Name of the company	IMPERIAL CREDIT PRIVATE LIMITED
2	Certificate of Registration No.	B.05.06193 DATED 17TH FEBRUARY 2004
3	Registered office Address	8-2-337, BANJARA HILLS, ROAD NO. 3, HYDERABAD - 500 034.
4	Corporate office Address	8-2-337, BANJARA HILLS, ROAD NO. 3, HYDERABAD - 500 034.
5	The company has been classified by RBI as : (Investment Company/Loan Company/AFC/NBFC-MFI/ NBFC- Factor/ IFC/ IDF-NBFC)	NON BANKING FINANCIAL INSTITUTION WITHOUT ACCEPTING DEPOSITS
6	Net Owned Fund (in Rs.'000) (Calculation of the same is given in the Annex)	24,044 (Share capital 12,300 plus Reserves and Surplus 11,744)
7	Total Assets (in Rs.'000)	24,208
8	Asset-Income pattern: (in terms of RBI Press Release 1998-99/1269 dated April 8, 1999) a) % of Financial Assets to Total Assets b) % of Financial Income to Gross Income (NBFC-Factor / NBFC-MFI / AFC / IFC may also report separately below)	100% 100%
9	Whether the company was holding any Public Deposits, as on March 31, 2020 If Yes, the amount in Rs.'000	No Not applicable
10	Has the company transferred a sum not less than 20% of its Net Profit for the year to Reserve Fund? (in terms of Sec 45-IC of the RBI Act, 1934).	Yes
11	Has the company received any FDI? If Yes, did the company comply with the minimum capitalization norms for the FDI?	No
12	If the company is classified as an NBFC-Factor; a) % of Factoring Assets to Total Assets b) % of Factoring Income to Gross Income	No Not applicable Not applicable



A. Ramachandra Rao & Co.
Chartered Accountants

Sl.	Particulars	Details
13	If the company is classified as an NBFC-MFI; % of Qualifying Assets to Net Assets (refer to Notification DNBS.PD.No.234 CGM (US) 2011 dated December 02, 2011)	No Not applicable Not applicable
14	If the company is classified as an AFC; a) % of Advances given for creation of physical/real assets supporting economic activity to Total Assets b) % of income generated out of these assets to Total Income	No Not applicable Not applicable
15	If the company is classified as an NBFC-IFC % of Infrastructure Loans to Total Assets	No Not applicable
16	Has there been any takeover/acquisition of control/ change in shareholding/ Management during the year which required prior approval from RBI? (please refer to Master Directions issued by DNBR I) Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions ; and II) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions.)	No Not applicable

In terms of Chapter II of the Master Direction- Non Banking financial Companies Auditor's Report (Reserve bank) Directions, 2016, a separate report to the Board of Directors of the company has been prepared.

I have read and understood Chapter III of the Master Direction- Non Banking financial Companies Auditor's Report (Reserve bank) Directions, 2016.

HYDERABAD
DATED: 28.05.2020

For M/s A Ramachandra Rao & Co
Chartered Accountants
Firm Registration No. 002857S

P S R V V SURYA RAO
Partner
Membership No. 202367

UDIN: 20202367AAABIB7990

A. Ramachandra Rao & Co. * HYDERABAD * Chartered Accountants

A. Ramachandra Rao & Co.
Chartered Accountants

ANNEXURE TO STUTORY AUDITORS' CERTIFICATE FOR FY 2019-20

	Capital Funds - Tier I	Rs.'000
1	Paid up Equity Capital	12,300
2	Pref. shares to be compulsorily converted into equity	-
3	Free Reserves:	
	a. General Reserve	-
	b. Share Premium	7,348
	c. Capital Reserves	-
	d. Debenture Redemption Reserve	-
	e. Capital Redemption Reserve	-
	f. Credit Balance in P&L Account	3,521
	g. Other free reserves	-
4	Special Reserves-Statutory Reserve	875
	Total of 1 to 4	24,044
5	Less: i. Accumulated balance of loss	-
	ii. Deferred Revenue Expenditure	-
	ii. Deferred Tax Assets (Net)	-
	iii. Other intangible Assets	-
	Owned Fund	24,044
6	Investment in shares of (i) Companies in the same group	-
	(ii) Subsidiaries	-
	(iii) Wholly Owned Subsidiaries	-
	(iv) Other NBFCs	-
7	Book value of debentures, bonds outstanding loans and advances, bills purchased and is counted (including H.P. and lease finance) made to, and (i) Companies in the same group	-
	(ii) Subsidiaries	-
	(iii) Wholly Owned Subsidiaries/Joint Ventures Abroad	-
8	Total of 6 and 7	-
9	Amount in item 8 in excess of 10% of Owned Fund	-
10	Net **Owned Fund**	24,044

HYDERABAD
DATED: 28.05.2020

For M/s A Ramachandra Rao & Co
Chartered Accountants
Firm Registration No. 0028575

P S R V V SURYA RAO
Partner
Membership No. 202367

UDIN: 20202367AAABIB7990

A. Ramachandra Rao & Co. * HYDERABAD * Chartered Accountants

A. Ramachandra Rao & Co.
Chartered Accountants

3rd Floor, D.No. 6-2-975
Flat No. 302, A-Block, Kushal Towers
Khairtabad, Hyderabad- 500 004.

Tel: 040-27633677
E-mail: admin@arrandco.org

To
The Board of Directors,
IMPERIAL CREDIT PRIVATE LIMITED

We have audited the Balance Sheet of **Imperial Credit Private Limited** as at 31st March 2020, the Profit and Loss Account for the year ended on that date and a Statement of Cash Flow for the year ended thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Non-Banking Financial Companies Auditor's Report (Reserve bank of India) 1998 as amended from time to time, we hereby report, with reference to paras 3 and 4 of the said directions in respect of the matters to be included in our audit report, that:

1. The company has applied for registration as provided in section 45IA of the Reserve Bank of India Act, 1934 and it has received the requisite certificate of registration;

2. In terms of its asset/income pattern, the company is entitled to continue to hold CoR issued by the Bank as on 31st March 2020 for the subsequent year.

3. The Company is meeting the required net owned fund requirement as laid down in Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016

4. In our opinion the company has not accepted any public deposits and hence the matters included in para 3(B) are not applicable to the company;

5. The Board of Directors has passed a resolution for non-acceptance of any public deposits;

6. The company has not accepted the public deposits during the relevant year;

7. The company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts to the extent applicable;



A. Ramachandra Rao & Co.
Chartered Accountants

8. In our opinion the matters included in para 4(D) are not applicable to the company as it has not invested not less than 90% of its assets in the securities of its group/holding/subsidiary companies as long-term investments;

Place: Hyderabad
Date: 28.05.2020

For M/s A.Ramachandra Rao & Co
Chartered Accountants
ICAI FRN: 002857S

S.R.V.V.Surya Rao Ponnada
Partner
M. No-202367

UDIN: **20202367AAABIC6589**

Imperial Credit Private Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Financial assets			
Cash and cash equivalents	2.1	206	59
Investments	2.2	24,002	23,042
		24,208	**23,101**
Non Financial assets			
Deferred tax asset, net	2.3	-	-
		-	-
Total assets		**24,208**	**23,101**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities			
Other financial liabilities	2.4	15	15
		15	**15**
Non Financial liabilities			
Liabilities for current tax	2.5	45	36
Deferred tax liabilities	2.6	104	76
		149	**112**
Equity			
Equity share capital	2.7	12,300	12,300
Other equity		11,744	10,674
		24,044	**22,974**
Total liabilities and equity		**24,208**	**23,101**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Firm registration number: 202367

for and on behalf of the Board of Directors of
Imperial Credit Private Limited
CIN: U06519TG1991PTC126383

Kiran Yanamandra
Director
DIN : 0007762357

Sujit Kumar Mahato
Director
DIN : 0007599067

Place: Hyderabad
Date: 11-May-2020

Imperial Credit Private Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Revenue from operations			
Net gain on fair value changes	2.8	1,361	1,611
Total Revenue from operations		**1,361**	**1,611**
Expenses			
Other expenses	2.9	30	212
Total expenses		**30**	**212**
Profit/(Loss) before tax		**1,331**	**1,399**
Tax expense			
Current tax		232	269
Deferred tax		29	145
Profit/(Loss) for the year		**1,070**	**984**
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified subsequently to profit or loss		-	-
Total other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		**1,070**	**984**
Earnings per share:	2.10		
Basic earnings per share of Rs. 100/- each		8.70	8.00
Diluted earnings per share of Rs. 100/- each		8.70	8.00

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Firm registration number: 202367

for and on behalf of the Board of Directors of
Imperial Credit Private Limited
CIN: U06519TG1991PTC126383

Kiran Yanamandra
Director
DIN : 0007762357

Sujit Kumar Mahato
Director
DIN : 0007599067

Place: Hyderabad
Date: 11-May-2020

Imperial Credit Private Limited
Statement of Cash Flows
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cash flows from/(used in) operating activities		
Profit before taxation	1,331	1,399
Adjustments:		
Profit on sale of mutual funds	(1,842)	(16)
Fair value changes unrealised	481	(1,595)
Changes in operating assets and liabilities:		
Decrease in other liabilities	-	(5)
Cash used in operations	**(30)**	**(217)**
Income taxes paid, net	(225)	(273)
Net cash used in operating activities	**(255)**	**(491)**
Cash flows from/(used in) investing activities		
Proceeds from sale of investments (net)	400	300
Purchase of investments	-	-
Net cash from investing activities	**400**	**300**
Cash flows from/(used in) financing activities		
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	145	(191)
Cash and cash equivalents at the beginning of the year (Refer note 2.1)	59	250
Cash and cash equivalents at the end of the year (Refer note 2.1)	**204**	**59**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
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for and on behalf of the Board of Directors of
Imperial Credit Private Limited
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Kiran Yanamandra
Director
DIN : 0007762357

Sujit Kumar Mahato
Director
DIN : 0007599067

Place: Hyderabad
Date: 11-May-2020

Imperial Credit Private Limited
Statement of changes in equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Equity share capital		Other components of equity					Total equity
			Securities premium	Reserves and surplus		Other comprehensive income/(loss)	Total other equity	
	No.of Shares	Amount		Other reserve*	Retained earnings			
Balance as at 1 April 2018	**123,000**	**12,300**	**7,348**	**465**	**1,878**	**-**	**9,690**	**21,990**
Profit for the year	-	-	-	-	984	-	984	**984**
Add/(Less): Transferred from surplus in the Statement of Profit and Loss	-	-	-	197	(197)	-	-	-
Balance as of 31 March 2019	123,000	12,300	**7,348**	**661**	**2,665**	**-**	**10,674**	22,974
Balance as at 1 April 2019	**123,000**	**12,300**	**7,348**	**661**	**2,665**	**-**	**10,674**	**22,974**
Profit for the year	-	-	-	-	1,070	-	1,070	**1,070**
Add/(Less): Transferred from surplus in the Statement of Profit and Loss	-	-		214	(214)	-	-	-
Balance as of 31 March 2020	123,000	12,300	**7,348**	**875**	**3,521**	**-**	**11,744**	24,044

**Reserve u/s 45-IC of Reserve Bank of India Act, 1934*

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Firm registration number: 202367

for and on behalf of the Board of Directors of
Imperial Credit Private Limited
CIN: U06519TG1991PTC126383

Kiran Yanamandra
Director
DIN : 0007762357

Sujit Kumar Mahato
Director
DIN : 0007599067

Date: 11-May-2020

1.1 Description of the Company

The financial statements comprise of Imperial Credit Private Limited ("the Company") for the year ended 31 March 2020. The company is a private company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The registered office of the Company is located in Hyderabad, Telangana, India. The Company is in the business of non-banking financial company registered with Reserve Bank of India.

1.2 Basis of preparation of financial statements

a) Statement of compliance

The financial statements of the Company as at and for the year ended 31 March 2020 have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

These financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective or elected for early adoption at the Company's annual reporting date, 31 March 2020. These financial statements were authorised for issuance by the Company's Board of Directors on 11 May 2020.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial instruments, other financial assets held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value. Further the carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

c) Functional and presentation currency

These financial statements are presented in Indian rupees, which is the functional currency of the company. All financial information presented in Indian rupees has been rounded to the nearest thousands.

1.3 Presentation of financial statements

The Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Company and/or its counterparties

1.4 Significant accounting policies

a) Recognition of income and expenses

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind AS

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

b) **Financial instruments**

Date of recognition

Financial assets and liabilities, with the exception of loans, debt securities, deposits and borrowings are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans are recognised when funds are transferred to the customers' account. The Company recognises debt securities, deposits and borrowings when funds reach the Company.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value , except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gain on fair value changes. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVTPL

A. At Amortised Cost

The Company measures Bank balances, Loans, Trade receivables and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages Companys of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.



The SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets or financial liabilities held for trading

The Company classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the balance sheet at fair value. Changes in fair value are recognised in net gain on fair value changes. Interest and dividend income or expense is recorded in net gain on fair value changes according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

B. At FVOCI

Debt instruments are measured at FVOCI when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

These instruments largely comprise long-term strategic investments made by the Company.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI is explained in Note 4.6.3. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

The Company subsequently measures all equity investments at fair value through profit or loss, unless the Company's management has elected to classify irrevocably some of its equity investments as equity instruments at FVOCI, when such instruments meet the definition of definition of Equity under Ind AS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as dividend income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.



C. Financial assets and financial liabilities at fair value through profit or loss (FVTPL)

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under Ind AS 109. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

Or

The liabilities are part of a Company of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

Financial assets and financial liabilities at FVTPL are recorded in the balance sheet at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or finance cost, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

A. Derecognition of financial assets due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty

If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.



B. Derecognition of financial assets other than due to substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:
The Company has transferred its contractual rights to receive cash flows from the financial asset
Or
It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients.

The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
-The Company has transferred substantially all the risks and rewards of the asset
Or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset
The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.



c) **Determination of fair value**

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ► In the principal market for the asset or liability, or
- ► In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Company's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Company applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Company estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself.

The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period.

d) **Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and shortterm deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.



e) **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

f) **Contingent liabilities and contingent assets**

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

g) **Income tax**

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

• temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;

• temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

• taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealised inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognised using the tax rate of the jurisdiction in which such inventories are held.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.



h) **Earnings per share**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

1.5 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



Financial assets

2.1 Cash and cash equivalents

Particulars	As at 31 March 2020	As at 31 March 2019
Balances with banks		
In current accounts	206	59
Cash and cash equivalents	**206**	**59**

2.2 Investments

Particulars	As at 31 March 2020	As at 31 March 2019
Current		
Investments at Fair value through profit & loss account		
Investment in mutual funds - unquoted	24,002	23,042
Total current investments	**24,002**	**23,042**

Non Financial assets

2.3 Deferred tax asset

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred tax asset		
	-	-

Financial liabilities

2.4 Other financial liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
Current		
Accrued expenses	15	15
	15	**15**

Non Financial liabilities

2.5 Tax liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
Current tax liability	45	36
	45	**36**

2.6 Deferred tax liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred tax liabilities	104	76
	104	**76**

2.7 Share capital

Particulars	As at 31 March 2020	As at 31 March 2019
Authorised share capital		
150,000 equity shares of Rs. 100/- each (31 March 2019: 150,000)	15,000	15,000
Issued equity capital		
123,000 equity shares of Rs. 100/- each fully paid-up (31 March 2019: 123,000)	12,300	12,300
Subscribed and fully paid-up		
123,000 equity shares of Rs. 100/- each fully paid-up (31 March 2019: 123,000)	12,300	12,300
	12,300	**12,300**



(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
	No. of shares	Amount	No. of shares	Amount
Opening number of equity shares/share capital	123,000	12,300	123,000	12,300
Less: Redeemed during the year	-	-	-	-
Closing number of equity shares/share capital	**123,000**	**12,300**	**123,000**	**12,300**

(b) Terms / rights attached to the equity shares

The company has only one class of equity share having a par value of Rs.100/- per share . Each holder of equity share is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of shares held	% holding in the class	No. of shares held	% holding in the class
Dr. Reddy's Laboratories Limtied (including shares held by nominees)	123,000	100%	123,000	100%

(d) No shares have been reserved for issue under option and contracts/commitments for the sale of shares /disinvestment as at the Balance Sheet date.

(e) No Shares have been allotted by way of Bonus share or pursuant to contracts or has been bought back by the Company during the period of five years preceding the date at which the Balance Sheet is prepared.

(f) No Convertible Securities have been issued by the Company during the year.

(g) No calls are unpaid by any Director and Officer of the Company during the year.

2.8 Net gain on fair value changes

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Fair value gain/(loss) on financial instruments through profit or loss		
On mutual funds		
Realised - profit on sale	1,842	16
Unrealised - fair value changes	(481)	1,595
	1,361	**1,611**

2.9 Other expenses

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Legal and professional	12	148
Rates and taxes	3	25
Auditors' remuneration (Audit fee)	15	15
Bank charges	-	0
Other general expenses	-	25
	30	**212**



2.10 Earnings Per Share

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit for the year	1,070	984
Weighted average number of equity shares		
outstanding during the year - Basic	123,000	123,000
outstanding during the year - Diluted	123,000	123,000
Earnings Per Share:		
Basic (face value of Rs.100/-)	8.70	8.00
Diluted (face value of Rs.100/-)	8.70	8.00

2.11 Related Parties

A. List of related parties:

Name of the party	Nature of relationship
Dr. Reddy's Laboratories Limited	Holding Company

B. Particulars of related parties transactions:
There are no transactions with related party during the current and previous financial year.

C.The Company has nil dues from/to related parties:
There are no dues payable or receivable from related party at the end of current and previous financial year.

2.12 Employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

2.13 Segment Reporting

In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

2.14 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006

Based on the information available with the Company, there are no vendors who are registered as micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006", as at March 31, 2020 and March 31, 2019.

2.15 Financial Instruments

The carrying value and fair value of financial instruments as at 31 March 2020 and 31 March 2019 were as follows:

	Carrying Values		Fair Values		Hierarchy
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	
Financial assets					
At amortised cost					
Cash and cash equivalents	206	59	206	59	Level 3
At FVTPL					
Investments	24,002	23,042	24,002	23,042	Level 1
Total	**24,208**	**23,101**	**24,208**	**23,101**	
Financial liabilities					
At amortised cost					
Other financial liabilities	15	15	15	15	Level 3
Total	**15**	**15**	**15**	**15**	

The carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements are a reasonable approximation of their fair values since the Company does not anticipate that the carrying amounts would be significantly different from the values that would eventually be received or settled.



2.16 Financial Risk Management

The Company's activities expose to market risk and liquidity risk. The Company's primary risk management focus is to minimise potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing the Company's risk assessment and management policies and processes.

a. Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments. The Company is exposed to market risk primarily related to market value of its investments.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Management monitors rolling forecasts of the Company's cash flow position and ensures that the Company is able to meet its financial obligations at all times including contingencies.

2.17 Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt. The capital gearing ratio as on 31 March 2020 and 31 March 2019.

Particulars	As at 31 March 2020	As at 31 March 2019
Other financial liabilities	15	15
Total debts	**15**	**15**
Equity	12,300	12,300
Other Equity	11,744	10,674
Total Capital	**24,044**	**22,974**
Capital and debt	**24,059**	**22,989**
Gearing ratio (%)	0.06%	0.07%

2.18 Subsequent events

There are no significant events that occurred after the balance sheet date.

As per our report of even date attached

for A. Ramachandra Rao & Co.
Chartered Accountants
ICAI Firm registration number: 002857S

P S R V V Surya Rao
Partner
ICAI Firm registration number: 202367

Place: Hyderabad
Date: 11-May-2020

for and on behalf of the Board of Directors of
Imperial Credit Private Limited
CIN: U06519TG1991PTC126383

Kiran Yanamandra
Director
DIN : 0007762357

Sujit Kumar Mahato
Director
DIN : 0007599067

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO,
S.A. DE C.V.
Financial statements
As of December 31, 2019 and 2018
with Independent Auditors' Report

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO, S.A. DE C.V.

Financial statements

As of December 31, 2019 and 2018

Content:

Independent Auditors' Report

Audited Financial Statements:

- Statements of Financial Position
- Comprehensive income statements
- Statements of Changes in Shareholders' Equity
- Cash flow statements
- Notes to the financial statements

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of

Industrias Químicas Falcon de México, S.A. de C.V.

Opinion

We have audited the accompanying financial statements of Industrias Químicas Falcon de México, S.A. de C.V. (hereinafter “the Company”), which comprise the statement of financial position as of December 31, 2019, the comprehensive income statement, the statement of changes in shareholders' equity and cash flow statement for the year ended on that date, as well as the explanatory notes to the financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying financial statements reasonably present, in all material aspects, the financial situation of Industrias Químicas Falcón de México, S.A. de C.V. as of December 31, 2019, as well as its results and cash flows corresponding to the year that ended on said date, in accordance with the Mexican Financial Information Standards.

Grounds for our opinion

We have conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of Financial Statements" section of our report. We are independent from the Company in accordance with the “Code of Ethics for Accounting Professionals of the Council of International Standards of Ethics for Accountants” (“IESBA Code of Ethics”) together with the ethics requirements that are applicable to our audit of the financial statements in Mexico by the “Code of Professional Ethics of the Mexican Institute of Public Accountants” (“Code of Ethics of the IMCP”) and we have fulfilled all other ethical responsibilities in accordance with these requirements and with the IESBA Code of Ethics.

It is our belief that the audit evidence obtained provides a sufficient and adequate basis for our verdict.

Responsibilities of Management and Those Charged with the Company's Governance in relation to the Financial Statements

The Company's Management is responsible for the preparation and fair presentation of these accompanying financial statements in accordance with the Mexican Financial Reporting Standards and for internal control that the Management deems necessary to enable the preparation of financial statements free from material misstatements due to fraud or error.

In preparing the financial statements, Management is also responsible for evaluating the Company's ability to continue as a going concern, revealing, as appropriate, matters related to the going concern and using the accounting principle of the going-concern, unless the Management intends to liquidate the Company or terminate its operations, or if there is no other realistic alternative.

The persons in charge of the Company's governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the auditor in relation to the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with the ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate form, they could reasonably be expected to influence the economic decisions that users may make based on these financial statements.

As part of an audit conducted in accordance with the International Standards on Auditing, we exercise our professional judgment and maintain an attitude of professional skepticism throughout the audit. We also:

- Identify and evaluate the risks of material misstatement in the financial statements due to fraud or error, design and apply audit procedures to respond to those risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, since the fraud may involve collusion, falsification, deliberate omissions, intentionally incorrect statements, or internal control circumvention.
- Gain knowledge on the internal control relevant to the audit, in order to design the appropriate audit procedures depending on the circumstances and not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Ascertain whether the appropriateness of Management's use of the basis of accounting of the going concern and, based on the audit evidence obtained, we conclude on whether or not there is a material uncertainty related to facts or conditions that can lead to significant doubts about the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may lead to the Company ceasing to be a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosed information, and whether the financial statements represent the underlying transactions and facts in a way that achieves a fair presentation.
- Notify the Company's persons in charge of governance of the Company regarding, among other matters, the scope and timing of the planned audit and any significant

findings, as well as any significant internal control deficiency identified in the course of the audit.

Mancera, S.C.
A member of
Ernst & Young Global Limited



C.P.C. Yazmin Espinosa Moscosa

Mexico City
17 April 2020

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO, S.A. DE C.V.

Statements of Financial Position

(Figures are in thousands of Mexican Pesos)

	As of December 31			
		2019		**2018**
Assets				
Current assets:				
Cash	**$**	**35,504**	$	14,172
Customers (net of bad debt estimate of $ 10,572 in 2019 and $ 0.2 in 2018)		**312,791**		166,098
Related parties (Note 2)		**50,043**		127,156
Recoverable taxes (Note 3)		**79,194**		42,707
Inventories, net (Note 4)		**396,046**		385,089
Advance payments (Note 5)		**4,394**		12,736
Other accounts receivable		**448**		207
Total current assets		**878,420**		748,165
Non-current assets:				
Property, plant and equipment, net (Note 6)		**407,936**		425,373
Deferred income tax (Note 13)		**59,968**		64,293
Employee profit share, deferred (Note 11)		**21,041**		22,880
Total non-current assets		**488,945**		512,546
Total assets	**$**	**1,367,365**	$	1,260,711
Liabilities and shareholders' equity				
Short-term liabilities:				
Suppliers	**$**	**80,041**	$	89,321
Direct employee benefits (Note 11)		**12,673**		11,293
Payable contributions		**26,629**		6,128
Provisions (Note 8)		**50,039**		35,161
Related parties (Note 2)		**365,681**		313,787
Short-term loans (Note 7)		**490,599**		490,670
Total short-term liabilities		**1,025,662**		946,360
Long-term liabilities:				
Net liability for defined employee benefits (Note 10)		**37,461**		52,906
Total long-term liabilities		**37,461**		52,906
Total liabilities		**1,063,123**		999,266
Shareholders' equity (Note 12):				
Share capital		**150,299**		150,299
Retained earnings		**155,205**		102,640
Other comprehensive income/loss		**(1,262)**		8,506
Total shareholders' equity		**304,242**		261,445
Total liabilities and shareholders' equity	**$**	**1,367,365**	$	1,260,711

The accompanying notes are an integral part of the financial statements.

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO, S.A. DE C.V.

Comprehensive income statements

(Figures are in thousands of Mexican Pesos)

	For the fiscal years ending on 31 December of	
	2019	**2018**
Net sales (Note 14)	**$ 1,496,526**	$ 1,306,087
Other income (Note 14)	**31,258**	5,677
Total income	**1,527,784**	1,311,764
Cost of sales (Note 15)	**1,189,332**	1,129,200
Gross profit	**338,452**	182,564
Operating expenses (Note 15)	**196,291**	74,510
Operating income	**142,161**	108,054
Comprehensive income/loss from financing:		
Interest expense	**(46,995)**	(37,814)
Exchange loss, net	**(4,573)**	(16,020)
Comprehensive income/loss from financing, net	**(51,568)**	(53,834)
Profit before revenue taxes	**90,593**	54,220
Revenue tax (Note 13):		
Over tax base	**33,704**	25,149
Deferred	**4,324**	(4,969)
Revenue tax	**38,028**	20,180
Net earnings	**52,565**	34,040
Other comprehensive income (Note 12)	**(9,768)**	10,553
Comprehensive income for the year	**$ 42,797**	$ 44,593

The accompanying notes are an integral part of the financial statements.

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO, S.A. DE C.V.

Statements of Changes in Shareholders' Equity

For the fiscal years ending on December 31 2019 and 2018

(Figures are in thousands of Mexican Pesos)

	Share capital (Note 12)	Retained earnings	Other comprehensive income/loss	Total shareholders' equity
Balances as of 31 December 2017	$ 150,299	$ 68,600	$ (2,047)	$ 216,852
Comprehensive profit	-	34,040	10,553	44,593
Balances as of 31 December 2018	150,299	102,640	8,506	261,445
Comprehensive profit	-	52,565	(9,768)	42,797
Balances as of 31 December 2019	**$ 150,299**	**$ 155,205**	**$ (1,262)**	**$ 304,242**

The accompanying notes are an integral part of the financial statements.

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO, S.A. DE C.V.

Cash flow statements

(Figures are in thousands of Mexican Pesos)

	For the fiscal years ending on 31 December of	
	2019	**2018**
Operating Activities		
Profit before revenue taxes	**$ 90,593**	$ 54,220
Non-cash items in income/loss:		
Net cost of the period from employee benefits (Note 10)	**9,216**	9,168
Employee benefits payments (Note 10)	**(14,960)**	(2,470)
Employee profit share, deferred (Note 11)	**(1,839)**	(1,856)
Items related to investing activities:		
Property, plant and equipment depreciation (Note 6)	**37,877**	25,231
Interest earned	**-**	(3,423)
Earnings from the sale of property, plant and equipment	**289**	(196)
Item related to financing activities:		
Interest expense	**50,603**	30,931
Sum	**171,779**	111,605
Changes in operating assets and liabilities:		
Customers	**(146,693)**	65,783
Related parties	**129,007**	(409,221)
Recoverable taxes	**(36,487)**	7,258
Inventories	**(10,957)**	(123,651)
Advance payments	**8,342**	24,849
Other accounts receivable	**(241)**	235
Suppliers, direct employee benefits and provisions	**(12,492)**	34,589
Revenue tax	**(33,704)**	(25,149)
Payable contributions	**20,502**	(4,112)
Net cash flows used in operating activities	**(82,723)**	(429,419)
Investing activities		
Property, plant and equipment procurement	**(20,312)**	(135,890)
Funds from the sale of property, plant and equipment	**(417)**	(411)
Interest received	**-**	(3,423)
Net cash flows used in investing activities	**(20,729)**	(139,724)
Cash surplus (to be obtained from) to apply in financing activities	**68,327**	(457,538)
Financing activities		
Interest paid	**(46,995)**	(30,261)
Bank loans procurement (Note 7)	**490,000**	490,000
Bank loans paid (Note 7)	**(490,000)**	-
Net cash flows (used in) obtained from financing activities	**(46,995)**	459,739
Cash Increase	**21,332**	2,201
Cash at the beginning of the period	**14,172**	11,971
Cash at the end of the period	**$ 35,504**	$ 14,172

The accompanying notes are an integral part of the financial statements.

INDUSTRIAS QUÍMICAS FALCON DE MÉXICO, S.A. DE C.V.

Notes to the financial statements

As of December 31, 2019 and 2018

(Figures in thousands of Mexican pesos, except when a different currency is stated)

1. Operations and Summary of Significant Accounting Policies

Industrias Quimicas Falcon de México, S.A. de C.V. (hereinafter “the Company”) was incorporated under Mexican law on July 22, 2005, with registered address at Carretera Federal Cuernavaca-Cuautla Km. 4.5, Zona Industrial Civac, CP 62578, Jiutepec, Mor. Mexico. The Company is a subsidiary of Dr. Reddy's Laboratories Limited, located in India, with which it performs some of the operations described in Note 2.

Its main activity consists of the manufacture, distribution and commercialization of all kinds of products and articles related to the chemical and pharmaceutical industry.

The entity's duration is 99 years.

The Company's period of operations and the fiscal year run from January 1 to December 31.

The issuance of the financial statements and the corresponding notes was authorized by the Finance Director, Mr. Kumar Govind on April 17, 2020. These financial statements must be approved at a later date by the Board of Directors and the Board of Shareholders. These bodies have the power to modify the financial statements. Subsequent events were considered until this date.

Significant accounting policies applied

a) Compliance with Mexican Financial Reporting Standards

The financial statements as of December 31, 2019 and 2018, have been prepared in accordance with the Mexican Financial Reporting Standards (NIF).

b) Bases of preparation

The financial statements as of December 31, 2019 and 2018, have been prepared based on historical cost, except for the non-monetary items that were acquired or recognized in the financial statements before December 31, 2007. Said non-monetary items incorporate the effects of inflation from their initial recognition in the financial statements and until December 31, 2007.

As of January 1, 2008, the Mexican economy is in a non-inflationary environment, in accordance with NIF B-10 "Effects of inflation". Therefore, as of December 31, 2019 and 2018, a non-inflationary environment is maintained, since the accumulated inflation of the last three years is lower than 26% (annual average of 8%).

Inflation for 2019 and 2018, determined through the National Consumer Price Index published by the National Institute of Statistics and Geography (INEGI), is shown below:

	Inflation	
As of December 31	For the year	Accumulated
2019	2.83%	14.43%
2018	4.83%	15.25%
2017	6.77%	12.71%

According to the Mexican Financial Reporting Standards, it corresponds to a non-inflationary economic environment, which requires that the preparation of financial statements be continued on the basis of historical cost.

c) Functional and accounting currency

The aforementioned financial statements are presented in the Mexican peso accounting currency, which is equal to the recording currency and its functional currency.

For purposes of disclosure in the notes to the financial statements, when reference is made to pesos or "$", it is thousands of Mexican Pesos, when reference is made to thousands of dollars, it is United States Dollars.

d) Revenue from customer contracts

Revenue from sale of goods; it is recognized when the significant risks and benefits of the property are transferred to the buyer, the recovery of the consideration is probable, the associated costs and the possible return of the goods can be reliably estimated, there is no continuous management participation with assets and the amount of revenue can be measured reliably. Revenue from the sale of goods includes the special tax and is measured at the fair value of the consideration received or to be received, net of returns, sales tax and applicable commercial discounts, discounts, taxes and amounts collected on behalf of third parties. Revenue includes freight and hauling expenses billed to the customer.

Revenue from export sales and other sales outside of Mexico is recognized when the significant risks and rewards of product ownership are transferred to customers, which occurs upon delivery of products to customers unless the terms of the applicable contract establish specific revenue from generating activities that must be completed, in which case the revenue is recognized once all those activities are completed.

e) Use of estimates

The preparation of the Company's financial statements in accordance with the NIF requires that Management make significant judgments, estimates and accounting assumptions that affect the recognized amounts of income, expenses, assets and liabilities and the corresponding disclosures, the company based its estimates on the information available when such estimates were formulated. However, the existing circumstances and assumptions about future events may be altered due to changes in the market or circumstances that are beyond the Company's control. These changes are reflected in the hypotheses when they occur.

The key assumptions used as of December 31, 2019 and 2018, in determining estimates that involve uncertainty and that may have a significant risk of causing adjustments of relative importance to the carrying amount of assets and liabilities during the following year, are the following:

Value impairment of non-financial assets

Impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the fair value minus selling costs, or its usage value, whichever is greater. The calculation of fair value minus selling cost is based on information available on similar sales operations, made under conditions between independent parties for similar goods, or on observable market prices, minus the incremental asset disposal costs. The calculation of usage value is based on a discounted cash flow model. Cash flows arise from the budget for the next five years or more considering that growth rates should not be for more than five years and do not include restructuring activities to which the Company has not yet committed, nor significant future investments that will increase the performance of the asset or cash-generating unit being tested. The recoverable amount is very sensitive to the discount rate used for the discounted cash flow model, and to the expected future funds income at the growth rate used for extrapolation purposes.

Other disclosures related to the impairment of the Company's non-financial assets are included in Note 7.

Share-based payment transactions

The Company measures the cost of settleable transactions with capital instruments by reference to the fair value of the capital instruments at the grant date. Estimating the fair value of share-based payment transactions requires determining the most appropriate valuation model that depends on the conditions of the plan. This estimate also requires determining and making assumptions about the most appropriate assumptions for the valuation model, including the expected validity of the exercise of stock options, volatility and dividend yield.

Defined employee benefits (post-employment)

The net cost of defined benefit plans and the present value of the corresponding obligations are determined through actuarial valuations. Actuarial valuations involve several assumptions. These include determining the discount rate, future salary increases, mortality, disability and turnover rates, among other financial and demographic assumptions. Due to the complexity of the valuation, the underlying assumptions, and their long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each closing date of the reporting period.

In determining the corresponding discount rate, Management considers the interest rate of the negotiable obligations in the respective currency, using as a reference the market rate of high-quality corporate bonds in absolute terms in a deep market or, failing that, using as a reference the government bond rate. For corporate bonds, the underlying bonds undergo a quality review and those with an excessive credit spread are removed from the sample of bonds on which the discount rate is based as they do not represent high quality. As of December 31, 2019 and 2018, the Company consistently used a government bond rate to discount the defined benefits to long-term employees, as it is considered the one that best reflects the present value of its obligations according to the characteristics of population and estimated date of future benefit payment.

The mortality rate is based on the most updated tables in the country.

Future salary increases are based on expected future inflation rates in the country considering an expected profit growth rate.

Note 10 provides more details about the assumptions used.

f) Cash

Cash is mainly represented by balances in legal tender and foreign currency in cash and bank deposits. Cash held in foreign currencies is converted using the exchange rate on the closing date of the financial statements. The effects of these conversions are recognized in the statement of comprehensive income as they are accrued.

g) Accounts receivable and other accounts receivable

Accounts receivable represent enforceable rights of the entity to the collection of a consideration in exchange for the fulfillment of an obligation to that originates from the sale of goods or provision of services.

Trade accounts receivable are considered to be financial instruments receivable (IFC) as they are based on a contract, which establishes the obligations of the counterparties.

The initial recognition of accounts receivable is made when the operation that gave rise to them is considered accrued, which occurs when, in order to comply with the terms of the contract concluded, control over the goods or services agreed with the counterparty is transferred. Only those accounts receivable for which the corresponding revenue can be recognized in accordance with NIF D-1 "Revenue from contracts with customers" are recognized.

Bonuses, discounts and returns affect the amount receivable and are recognized when the right arises to take the bonus, discount or refund by the customer.

Accounts receivable are valued on initial recognition at the transaction price determined based on NIF D-1 and on subsequent recognition, at the transaction price pending collection.

Accounts receivable denominated in foreign currency or some other exchange unit are converted into the functional currency applying the closing exchange rate. Changes in the amount of trade accounts receivable derived from changes in the exchange rate are recognized in the comprehensive financing result.

Considering its recovery period, accounts receivable are classified in the short and long term. Short-term accounts receivable are those whose recovery is expected within a period not exceeding one year after the balance sheet date (or the entity's operating cycle in the event that this cycle exceeds this period), otherwise, they are considered long-term accounts receivable.

From the initial recognition of the accounts receivable, the Company recognizes, if applicable, an estimate for the expected credit losses thereof, affecting the results of the period in which the account receivable is recognized. Subsequent recognition recognizes the changes required in the estimate for expected credit losses that arise in each subsequent period.

Accounts receivable from related parties, arising from the purchase of goods or services are presented and disclosed separately, since the nature of the debtor gives them a special characteristic regarding their enforceability.

The other accounts receivable are initially recognized when accrued, they represent amounts that originate from transactions other than those for which the entity was established such as (loans to officials and employees, claims, taxes to be recovered, when entitled to it, in accordance with the corresponding law), which are expected to be collected within a period not exceeding one year after the balance sheet date (or the entity's operating cycle in the event that this cycle exceeds this period), being presented on the short-term asset.

The other accounts receivable are valued at the amount to which the Company has the right to collect, which is generally its nominal value at initial recognition and the nominal value pending collection, at its subsequent recognition.

h) Estimate for expected credit losses.

To determine the estimate for expected credit losses, the Company, using its professional judgment, makes an evaluation of the expected losses due to deterioration of accounts receivable, taking into account the historical experience of credit losses, current conditions and reasonable and sustainable forecasts of the different quantifiable future events that could affect the amount of future cash flows to be recovered from accounts receivable.

To recognize the estimate for expected credit losses of accounts receivable, the Company follows the provisions of NIF C-16 “Impairment of financial instruments receivable”.

i) Inventories

Inventories are valued at their lower cost or net realizable value.

The cost of inventories includes all the purchase and production costs that were incurred to give them their current location and condition and are valued as follows:

- Raw material: at the acquisition cost according to the average cost formula.

- Finished and in-process products: at the cost of materials, direct labor, as well as indirect production costs, excluding financial costs.

The net realization value is the estimated sale price in the normal course of business minus the disposal costs and, where appropriate, the estimated termination costs.

The Company recognizes impairment losses on the value of inventories, when there are losses derived from firm sales commitments regarding the amounts of inventory it maintains. When the net realization value of inventories is less than their net book value, the Company recognizes an impairment loss, which is recorded in the selling cost for the period in which it is presented.

Advances to suppliers are recognized as part of the balance of inventories, when the risks and benefits of the items purchased have been transferred to the Company.

j) Advance payments

Advance payments mainly include advances for the purchase of inventories, maintenance of machinery and software and services that are received after the date of the statement of financial position and during the normal course of operations, and are presented in the short or long term based on the classification of the target loss.

Advance payments are initially recognized as an asset for the amount paid at the time it is made, as long as it is estimated that the associated future economic benefits will flow to the Company.

The amount of advance payments in foreign currency is recognized considering the exchange rate on the date of the transaction, without being subsequently modified by exchange rate fluctuations in the foreign currency corresponding to the prices of goods and services related to such advance payments.

Once the good or service is received, the Company recognizes the amount related to advance payments as an asset, in the item to which the acquired good corresponds, or as an expense for the period, depending on whether or not the certainty is that the acquired good will generate a future economic benefit.

The Company periodically evaluates the ability of advance payments to lose their ability to generate future economic benefits, as well as the recoverability thereof, the amount that is considered non-recoverable is recognized as an impairment loss in the profit/loss of the period in which it occurs. The impairment loss is reversed when new expectations of recovery of the advance payments previously affected by an impairment loss arise; provided that such expectations are permanent or definitive, reversing the impairment recognized in prior periods, affecting the statement of comprehensive income for the current period.

k) Property, plant and equipment

Property, plant and equipment are initially recognized and are recorded at their acquisition value.

In the case of assets that require a substantial period to be in use, the acquisition cost (construction) includes: the acquisition cost and the capitalization of the comprehensive financing result incurred during the acquisition period (construction and installation) thereof.

The acquisition value of property, plant and equipment includes the costs that were initially incurred to be acquired or built, as well as those incurred subsequently to replace them or increase their potential service. If a machinery and equipment item is made up of various components with different estimated useful lives, the important individual components are depreciated during their individual service lives. Repair and maintenance costs are recognized in the income statement as they are incurred.

The depreciation of property, plant and equipment is determined on the value resulting from the acquisition cost minus the residual value of said property, plant and equipment using the straight-line method, (when the Company's management considers that said method is the one that best reflects the use of said assets) and based on their estimated service life as follows:

	Rates
Buildings	2.50% to 10.00%
Laboratory machinery and equipment	6.67% to 20.00%
Office furniture and equipment	10.00% to 25.00%
Transportation Equipment	12.50% to 25.00%
Computer Equipment	16.67% to 33.33%

Property, plant and equipment are derecognized at the time of sale or when no future economic benefits are expected from their use or sale. Any profit or loss at the time of asset derecognition (calculated as the difference between the net income from the sale of the asset and its carrying amount) is included in the comprehensive income statement when the asset is derecognized.

The Company evaluates the net book value of property, plant and equipment to determine the existence of indications that said value exceeds its recovery value. The recovery value represents the amount of potential net income that is reasonably expected to be obtained as a consequence of the use or realization of said assets. If it is determined that the net book value exceeds the recovery value, the Company records the necessary estimates, recognizing the effect on the results for the period. The impairment loss is reversed when the circumstances that previously gave rise to said loss cease to exist and there is clear evidence of an increase in the net book value of the impaired property, plant and equipment. The amount of the impairment loss is reversed, decreasing the depreciation of the period in which the reversal occurs.

As of December 31, 2019 and 2018, there were no indications of impairment.

l) Leases

At the beginning of a contract, the Company must assess whether the contract is, or contains, a lease. That is, if the contract transfers the right of use of an identified asset during a determined period of time in exchange for a consideration. Otherwise, it is a service contract.

i) Short-term leases and leases in which the underlying asset is of low value

The Company chose not to apply the valuation requirements for lessees to its short-term leases of machinery and equipment (that is, those leases that have a term of 12 months or less from the start date of the lease and that do not contain a purchase option). The Company also applies the exemption to the recognition of leases of low value assets to leases of office equipment that is considered low value. Lease payments for short-term leases and low-value asset leases are recognized as an expense as they accrue on a straight-line basis over the term of the lease.

m) Provisions, contingencies and commitments

Provisions are recognized when (i) there is a present obligation (legal or assumed) as a result of a past event, (ii) it is probable (there is a greater possibility of it happening than not) that the outflow of economic resources is required as a means to settle said obligation, and (iii) the obligation can be reasonably estimated.

When the effect of the value of money over time is significant, the amount of the provision is the present value of the disbursements that are expected to be necessary to settle the obligation. The discount rate applied in these cases is before taxes, and reflects the market conditions at the balance sheet date and, where appropriate, the specific risk of the corresponding liability. In these cases, the increase in the provision is recognized as an interest expense.

These provisions have been recorded under the best estimate made by Management. See Note 8.

Provisions for contingent liabilities are recognized only when the outflow of resources for their extinction is probable. Furthermore, commitments are only recognized when they generate a loss.

n) Net liability for defined employee benefits

There is a policy of granting retirement pensions through defined pension plans that cover all employees. Pensions are determined based on the compensation of employees in their last year of work, years in the Company and their age at the time of retirement.

Seniority premiums paid to personnel are determined based on the provisions of the Federal Labor Law (LFT). Likewise, the LFT establishes the obligation to make certain payments to personnel who cease to provide their services under certain circumstances.

Pension costs, seniority premiums and termination benefits with pre-existing conditions are recognized annually based on calculations made by independent actuaries, using the projected unit credit method by means of financial assumptions in nominal terms.

Remeasurements of net defined benefit liabilities, which include actuarial gains and losses on obligations and gains and losses on the return of plan assets, are recognized immediately in the statement of financial position with their corresponding effect on other comprehensive results in shareholders' equity in the period in which they occur and are subsequently recycled to results for the period, based on the average remaining working life of the employees expected to receive the benefits of the current plan.

Past service costs are recorded when any of the following events occurs first:

• When there is a modification to the plan or reduction in staff

• The date on which restructuring costs are recognized

o) Paid Absences

The costs derived from paid absences, such as vacations, must be recognized cumulatively, creating the respective provision. As of December 31, 2019 and 2018, the Company recognizes the cost of paid absences up to the moment it was caused. Notwithstanding the foregoing, this deviation is not considered relevant to the financial statements.

p) Employee profit sharing (PS)

Expenses for PS, both incurred and deferred, are presented within the cost or expense heading in the comprehensive income statement.

Deferred PS is recognized under the asset and liability method. In accordance with this method, all the differences between the accounting and tax values of assets and liabilities must be determined, to which the 10% rate is applied. Assets for deferred PS are periodically evaluated creating, where appropriate, an estimate of those amounts for which there is no high probability of recovery.

The deferred PS identified with other comprehensive items that have not been identified as realized, is presented in shareholders' equity and will be reclassified to the results of the year as they are realized. See Note 11.

q) Exchange fluctuations

Transactions in foreign currency are initially recorded at the exchange rate applicable on the date of their execution. Assets and liabilities in foreign currency are valued at the exchange rate on the date of the statement of financial position. The exchange differences between the date of execution and those of its collection or payment, as well as those derived from the conversion of the balances denominated in foreign currency at the date of the financial statements, are applied to the results, except for those fluctuations generated by Financing in foreign currency that were used for the construction of fixed assets and in which the integral result of financing (RIF) is capitalized during their construction.

Note 9 shows the position in foreign currencies at the end of each year and the exchange rates used in the conversion of these balances.

r) Share-based payments

Share-based payments to personnel are recognized at the fair value of the options granted. There is a policy of assigning them to executive staff with at least 1 year of seniority.

In the event that the agreement is in cash, the amount will be paid equally in the four-year period at 25% per year.

s) Comprehensive result

The comprehensive income is the sum of the net profit or loss, the other comprehensive income (ORI) and the share in the ORI of other entities. The other comprehensive income represents income, costs and expenses accrued, and that are pending realization, which is expected in the medium (long) term, and their value may vary due to changes in the fair value of the assets or liabilities originating them, which means that they may not be realized in part or in their entirety; they consist of the remeasurements of the net defined benefit liability (asset) because the Company chose to amortize the remeasurements gradually in the ORI (with subsequent recycling in results.)

t) Revenue tax

Accrued tax

Revenue tax incurred in the year is presented as a short-term liability net of advances made during it. The tax incurred is recognized as an expense in the profit or loss for the period, except to the extent that it arises from a transaction or event that is recognized outside the profit or loss for the period, either in other comprehensive income or directly in a shareholder's equity item.

Deferred Tax

The Company determines deferred income taxes based on the asset and liability method. Under this method, all the differences between the accounting and tax values are determined, to which the income tax rate (ISR), in force on the date of the balance sheet, is applied, or that rate promulgated and established in the tax provisions as of that date and which will be in force at the time when it is estimated that the deferred tax assets and liabilities will be recovered or settled, respectively.

Assets for deferred PS are periodically evaluated creating, where appropriate, an estimate of those amounts for which there is no high probability of recovery.

u) Submission of comprehensive income statement

The Company decided to submit a comprehensive income statement representing in one single document all the concepts comprising the net profit or loss, as well as other comprehensive earnings (ORI by its Spanish initials), called “Comprehensive Profit and Loss Statement”.

Due to the fact that the Company is an industrial enterprise, the costs and expenses shown in the comprehensive income statement are organized based on their purpose, the main being to separate the sales cost from other costs and expenses given that this classification allows for a proper assessment of the gross profit and the operating income.

Although the presentation of the operating income is not required, it is represented for it constitutes an important indicator in the Company’s performance appraisal given that such information is a common practice in the Company’s sector.

v) Shareholders equity

Transactions in capital stock, legal reserve and retained earnings are acknowledged as of January 1st, 2008 at their historic cost; those transactions made before January 1st, 2008 considering their present values for the corresponding inflation.

Contributions for subsequent increases in the Company’s capital meeting the requirements of NIF C-11 “Shareholders Equity” (having a formal commitment by the Board of Shareholders, a given fixed number of shares for exchange for a set contribution amount, among others). Contributions for subsequent capital increases not meeting these requirements are known as liabilities in the financial statement.

w) Financial risk management objectives and policies

Sales made to related parties represent a 35% and 44%, in 2019 and 2018 respectively, of the Company's net sales.

The Company's main financial liabilities include loans, accounts payable to suppliers and other accounts payable. The main purpose of these financial liabilities is to fund the Company operations and to provide guarantees that support those operations. The Company's main financial assets include accounts receivable from clients and other accounts receivable, and cash

The Company is exposed to (i) market risk (including interest rate risk and fluctuation risk in exchange rates), (ii) credit risk and (iii) liquidity risk.

(i) Market risk

- Interest rate risk derived from fluctuations in the market interest rate affecting the value of the debt incurred.

- Exchange rate risk, due to variations in the foreign exchange market that affect the value are denominated [in] cash, accounts receivable, related parties, suppliers and other accounts payable.

- Energy commodity price risk, because some fuels (such as gas, electricity) used by the company represent an important input for its operation.

The Company is exposed to market risk from changing fluctuations in foreign exchange rates due to variations in the foreign exchange market affecting the value are denominated [in] cash, accounts receivable, related parties and suppliers. At December 31, 2019 and 2018, the Company has not contracted any hedging instruments against exchange rate risks.

As of December 31 2019 and 2018, the Company had monetary assets and liabilities denominated in U.S. dollars restated at the interbank rate [as] included in Note 9.

(ii) Credit risk

Credit risk, due to the failure of a counterpart (customer, supplier, related party or financial institution) to comply. The Company is exposed to credit risk from its operating activities (primarily trade accounts receivable) and from its financing activities, including deposits with banks and financial institutions and transactions with foreign currency.

The financial instruments that would potentially result in concentrations of credit risk are cash and accounts receivable from customers.

The Company's policy is designed not to limit its exposure to one single financial institution, so its cash is held with different financial institutions.

The Company periodically evaluates the financial conditions of its customers and does not consider that there is a significant risk of loss. It is considered that the provision for doubtful accounts adequately covers its potential credit risk, which represents a calculation of the losses incurred due to the impairment of its accounts receivable.

(iii) Liquidity risk

Liquidity risk, due to adverse situations in the debt or capital markets that make it difficult or impossible to cover the financial needs necessary to properly execute its operation.

Risk concentration

Concentrations arise when many counterparties conduct similar business activities, or activities in the same geographic region, or have economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations show the relative sensitivity of the Company's performance to changes affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines focused on maintaining a diversified portfolio.

Identified concentrations of credit risk are controlled and managed as appropriate. The Company selectively conducts hedging activities to manage risk concentrations at both the industry and relationship levels.

Credit risk in accounts receivable is diversified due to the customer base and its geographic spread. Ongoing assessments are made of clients' credit conditions and no collateral is required to guarantee recovery. In the event that collection cycles deteriorate significantly, results could be adversely affected.

x) Capital management

For purposes of the Company's capital management, capital includes the issued capital. The primary objective of the Company's capital management is to maximize shareholder value and ensure the ability of the Company as a going concern.

The Company's capital management activities, among other purposes, seek to ensure that the Company complies with financial covenants related to its interest-bearing loans and credits, which include requirements regarding the Company's capital structure. In the current period, the Company has not incurred in default on the financial covenants of any of its interest-bearing loans and credits.

y) New accounting judgements

1) Standards, interpretations, and improvement to FRSs issued but not yet in force

The standards and interpretations issued, but not yet in effect, as of the date of issuance of the Company's financial statements are as follows.

The Company intends to adopt them, if applicable, as soon as they come into force.

ONIF 5 "Alternatives for the transition to FRS D-5, Leases" (in force as of January 2020).

ONIF 5 "Alternatives for the transition to NIF D-5, Leases" provides guidance on the accounting records for the transition in the initial adoption of FRS D-5, based on illustrative examples.

The adoption of ONIF 5 had no accounting effect on the Company's financial statements.

Improvements to FRS 2020

The modifications that give rise to accounting changes in valuation, presentation or disclosure in the financial statements are as follows:

(i) NIF C-16, Impairment of financial instruments receivable

The requirement to use the original effective interest rate was included in the subsequent recognition of a financial instrument to collect principal and interest that was not derecognized as a result of a renegotiation or modification of the contractual cash flows.

If applicable, the original effective interest rate should only be adjusted to include unamortized renegotiation costs.

The provisions of this Improvement came into force as of January 1, 2020, with early application permitted for the year 2019.

The adoption of this Improvement had no effect on the Company's financial statements.

(ii) NIF D-4, *Income taxes and NIF D-3, Employee benefits*

Requirements on the recognition of uncertain tax treatments in income tax and EPS were included. These improvements address whether an entity should consider uncertain tax treatments separately or together, assumptions that an entity should make about whether the tax treatment will be reviewed by the tax authorities, how an entity should determine taxable profit, tax bases, unamortized tax loss , unused tax credits and tax rates, methods for estimating uncertainty, and how an entity considers changes in facts and circumstances.

For EPS, it was considered that since it is determined on the same tax law and practically on the same basis as that used to determine the income tax, the considerations described above regarding the effects of uncertainty are also applicable to the EPS caused or deferred.

The provisions of these Improvements came into force as of January 1, 2020, with early application permitted for the year 2019.

The adoption of these Improvements had no effect on the Company's financial statements.

(iii) NIF D-4, Income taxes

The requirement to recognize in shareholders' equity the income tax effects related to a dividend distribution was included, which means that when recognizing a liability for dividend distribution, an entity must recognize, if applicable, the related income tax liability.

The provisions of this Improvement came into force as of January 1, 2020, with early application recommended for the year 2019.

The adoption of this Improvement had no effect on the Company's financial statements.

2) New standards and improvements to FRS effective as of January 1, 2019

The Company adopted NIF D-5 "Leases" ("FRS D-5") and ONIF 4 "Matters to be Considered for the Application of FRS D-5, Leases" ("ONIF 4") and IFRIC 23 "Uncertainty in Income Tax Treatment" ("IFRIC 23"), for the first time. The nature and effect of the changes resulting from the adoption of these new standards are described below.

The following is a description of the most relevant aspects of the judgements that came into force on 1 January 2019:

Leases

FRS D-5 replaces Bulletin D-5 "Leases" ("Bulletin D-5"), and the supplemental IFRIC 4 "Determining whether an arrangement contains a lease" ("IFRIC 4"). FRS D-5 establishes the principles for the recognition, valuation, presentation and information disclosure for leases and requires lessees to account for all leases under one single balance sheet model similar to that which established accounting for finance leases in accordance with Bulletin D-5.

The lessor's accounting under FRS D-5 is not substantially modified from the accounting under Bulletin D-5. Lessors will continue to classify leases using the same classification principles as in Bulletin D-5 and will record two types of leases: operational and financial leases. Therefore, FRS D-5 is not expected to have any impact on leases where the Company is the lessor.

Following the adoption of FRS D-5, the Company identified only short-term leases and leases of low value assets.

The adoption of ONIF 4 had no accounting effect on the Company's financial statements.

Uncertainty in Income Tax Treatment

IFRIC 23 "Uncertainty in Income Tax Treatment" ("the Interpretation") addresses the accounting for income tax when tax treatments involve uncertainty. The Interpretation specifically addresses the following:

If an entity must evaluate uncertain tax treatments separately or together.

• The assumptions an entity must make about whether the tax treatment will be reviewed by the tax authorities.

• How an entity should determine taxable income, tax bases, unamortized tax loss, unused tax credits and tax rates.

• How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or in conjunction with one or more uncertain tax treatments and follows the approach that best predicts the resolution of the uncertainty.

The Company applies significant judgment to identify uncertainties in tax treatments. Because the Company operates in a complex multinational tax environment, it assessed whether the Interpretation had an impact on its financial statements.

After the adoption of the Interpretation, the Company considered whether it has uncertain tax positions, particularly those related to outsourcing services. The company's operation in different areas includes deductions related to outsourcing services, and tax authorities may question such tax treatments. Based on its tax compliance and evaluation, the Company determined that it is likely that its tax treatments will be accepted by the tax authorities. The Interpretation did not have a material impact on the Company's financial statements.

Improvements to FRS 2018

The modifications that give rise to accounting changes in valuation, presentation or disclosure in the financial statements are as follows:

(i) FRS B-2, Cash flow statement

A requirement was included for entities to provide disclosures in the notes to the financial statements, about relevant changes in liabilities considered to be part of financing activities, which may or may not have required the use of cash or cash equivalents. Preferably, the requirement to include a reconciliation of the opening and closing balances of such items is indicated, in addition to the required disclosures.

The provisions of this Improvement came into force as of January 1, 2018, with early application permitted for the year 2017.

The adoption of this Improvement had no effect on the Company's financial statements.

(ii) FRS B-10, Effects of inflation

The requirement was included to incorporate in the notes to the financial statements (whether or not they have been restated), in addition to the percentage of inflation accumulated over the previous three years and the percentage of inflation that served as a basis for qualifying the economic environment in which the entity operated in the current year, as inflationary or non-inflationary, as applicable, the following percentages:

• A three-year cumulative percentage that includes the previous two years and the period to which the financial statements relate, which will serve as the basis for qualifying the economic environment in which the entity will operate in the following year.

• Percentage referred to in the financial statements.

The provisions of this Improvement came into force as of January 1, 2018, with early application permitted for the year 2017.

The adoption of this Improvement had no effect on the Company's financial statements.

(iii) FRS C-6, Property, plant and equipment and FRS C-8, Tangible assets

The basis on which an asset is depreciated or amortized is modified; such method must reflect the pattern in which the future economic benefits of the asset component subject to depreciation or amortization are expected to be consumed rather than realized by the entity.

It is established that a method of depreciation or amortization based on the amount of income associated with the use of such assets is not appropriate, since such amount of income may be affected by factors other than the pattern of consumption of economic benefits of the asset. However, unlike FRS C-6, FRS-8 allows the use of an income-based method in specific situations.

The provisions of these Improvements came into force as of January 1, 2018.

The adoption of this Improvement had no effect on the Company's financial statements.

2. Related parties

The companies mentioned in this note are considered to be affiliates since the shareholders of such companies are also shareholders of the Company.

a) Balances with related parties as of December 31, 2019 and 2018 are as follows:

	2019	2018
Receivables:		
Dr. Reddy's Laboratories, S.A. (affiliate)	$ 50,043	$ 94,399
Dr. Reddy's Laboratories, Inc. (affiliate)	-	25,592
Dr. Reddy's Laboratories (UK), Ltd. (affiliate)	-	7,165
	$ 50,043	$ 127,156
Payables:		
Dr. Reddy's Laboratories, Ltd. (holding) (i)	$ 349,132	$ 313,787
Dr. Reddy's Laboratories, Inc. (affiliate)	16,549	
	$ 365,681	$ 313,787

As of December 31, 2019 and 2018, balances receivable from related parties consist of current account balances, without interest, payable in cash within 30, 45 and 180 days for which there are no guarantees.

Balances with related parties are considered to be recoverable. Accordingly, for the years ended in December 31, 2019 and 2018, there was no expense arising from the uncollectibility of balances with related parties.

As of December 31, 2019 and 2018, balances payable to related parties correspond to non-interest-bearing current account balances.

b) During the years ended in December 31, 2019 and 2018, the following transactions were carried out with related parties:

	2019	2018
Inventory sale:		
Dr. Reddy's Laboratories, Inc. (affiliate)	$ 126,987	$ 227,042
Dr. Reddy's Laboratories, S.A. (affiliate)	155,503	204,454
Dr. Reddy's Laboratories (UK), Ltd. (affiliate)	5,655	18,583
Dr. Reddy's Laboratories (UK). (affiliate)	2,396	
Dr. Reddy's Laboratories, Ltd. (holding)	241,000	131,289
	$ 531,541	$ 581,368
Inventory purchases:		
Dr. Reddy's Laboratories, Ltd. (holding)	$ 553,816	$ 625,797
Interest expense		
Dr. Reddy's Laboratories, Ltd. (holding)	$ -	$ 30,931

3. Recoverable taxes

As of December 31, 2019 and 2018, this item is comprised as follows:

	2019	2018
Recoverable value added tax (VAT)	$ 70,590	$ 34,141
Recoverable income tax (ISR)	8,604	8,566
Total	$ 79,194	$ 42,707

4. Inventories

As of December 31, 2019 and 2018, inventories are comprised as follows:

	2019	2018
Finished products	$ 121,759	$ 49,040
In-process production	240,021	245,032
Raw material	87,794	102,283
Materials and spare parts	42,688	42,088
	492,262	438,443
Impairment estimation	(111,692)	(56,676)
	380,570	381,767
Goods in transit	15,476	3,322
Inventories, net	$ 396,046	$ 385,089

The amount recognized in the results of operations corresponding to the estimate of obsolescence in the years 2019 and 2018 was $55,016 and $6,311, respectively.

The variation in the balance of inventories, between the years ended in December 31, 2019 and 2018, is mainly due to the impairment estimate. During the year 2019, the estimate was increased by $55,016 out of which $43,381 corresponds to damaged material to be destroyed in the following year; on December 10 and 19, 2019, notices of destruction corresponding to the damaged material were submitted to the tax authority.

As of December 31, 2019 and 2018, the inventory realization period is 118 and 122 days, respectively.

5. Advance payments

As of December 31, 2019 and 2018, the balance of advance payments is made up as follows:

	2019	2018
Insurance paid in advance	$ 1,958	$ 1,402
Advance payments to raw material suppliers	1,913	4,863
Property tax	479	598
Advance payments to service providers	44	839
Advance payments to machinery and equipment suppliers	-	5,034
	$ 4,394	$ 12,736

6. Property, plant and equipment

a) As of December 31, 2019 and 2018, property, plant and equipment consisted of:

	2019	2018
Buildings	$ 56,498	$ 46,128
Laboratory machinery and equipment	479,352	394,966
Office furniture and equipment	13,813	13,785
Computer equipment	8,944	8,890
Transport equipment	6,487	7,226
	565,094	470,995
Accumulated depreciation	(334,575)	(297,794)
	230,519	173,201
Land	92,356	92,356
Construction in progress	85,061	159,816
	$ 407,936	$ 425,373

b) The total depreciation for the years 2019 and 2018, was recorded in income for an amount of $37,781 and $25,231, respectively, which was recorded under the operating expenses concept.

The constructions in process mainly include the following projects:

• As of December 31, 2019, the balance of construction in progress corresponds to three projects, mostly H-VAC System Optimization for $16,384, implementation of Distribution Control System for $15,959 and Water Purification System for $20,427, which are estimated to be completed by the end of year 2020.

• During fiscal year 2019, the "Increase in the production capacity of the Naproxen plant" and "Improvement in the safety conditions of the plant" projects were initiated for $7,263 and $6,653 respectively and are estimated to be concluded in fiscal year 2020.

7. Bank loans

On September 25, 2018 the Company obtained a bank loan for $490,000 Mexican Pesos with the banking institution HSBC Mexico, S.A., with an interest equivalent to a twenty-eight day interbank equilibrium interest rate (TIIE) plus 1.25%, payable on a monthly basis and with a term as of September 25, 2019.

The Company paid to the banking institution HSBC Mexico, S.A, the capital and corresponding interest on 25 September 2019.

On September 25, 2019 the Company obtained a new bank loan for $490,000 Mexican Pesos with the banking institution HSBC Mexico, S.A., with an interest equivalent to a twenty-eight day interbank equilibrium interest rate (TIIE) plus 1.25%, payable on a monthly basis and with a term as of September 24, 2020.

As of December 31, 2019 and 2018, bank loans are as follows:

	2019	2018
Bank loan	$ 490,000	$ 490,000
Interest earned in the year	599	670
Short-term debt from bank loans	$ 490,599	$ 490,670

As of 31 December 2019 and 2018, the Company is compliant with the clauses of the loan contracted with HSBC Mexico S.A.

8. Provisions

As of December 31 2019 and 2018, provisions are comprised as follows:

	2019	2018
Bayer customer provision	$ 7,223	$ 5,306
Contractors provision	2,062	2,404
Services provision (natural gas, electricity, water, etc.)	6,585	3,594
Goods in transit	14,966	4,260
Freight	3,158	1,227
Construction in progress	5,163	8,603
Other expenses	10,882	9,767
	$ 50,039	$ 35,161

9. Balances in foreign currency

As of December 31 2019 and 2018, the financial statements include the monetary rights and obligations denominated in dollars (US$) of the United States of America (USA), as follows:

	Figures in thousands of dollars	
	2019	2018
Current assets:		
Cash	US$ 892	US$ 551
Customers	17,139	9,138
Total assets	18,031	9,689

	Figures in thousands of dollars	
	2019	2018
Current liabilities:		
Related parties	US$ (7,177)	US$ (6,661)
Suppliers	(1,780)	(2,579)
Total liabilities	(8,957)	(9,240)
Active (passive) monetary position	US$ (9,074)	US$ 449

The exchange rates used to translate the above amounts into national currency as of December 31, 2019 and 2018, were as follows:

		Exchange rate	
Country of origin	Currency	2019	2018
United States of America	Dollar	$18.87	$19.66

As of April 17, 2020, the date of issuance of the financial statements, the exchange rate is $24.2098 per dollar.

10. Net liability from benefits defined to employees

The Company has a defined benefit plan covering its personnel, which is based on both the years of service and the amount of employee compensation. The Company's policy for funding the pension plan is to contribute the maximum amount deductible for income tax according to the projected unit-credit method. During 2019 and 2018, the termination benefits paid were $14,960 and $2,470, respectively. The cost, liabilities and other elements of the pension plans, seniority premiums and compensation at termination, other than restructuring, mentioned in Note 1m), were determined based on calculations prepared by independent actuaries. As of December 31 2019 and 2018, the components of net cost for the respective period, defined benefit obligations and plan assets are as follows:

a) Period net cost

	2019			
	Pension plan	**Seniority premium**	**Termination beneficiaries**	**Total**
Integration of the net cost for year 2019:				
Labor cost for current service (CLSA)	$ 2,987	$ 229	$ 410	$ 3,626
Net interest on net liability from benefits defined (PNBD)	4,744	124	294	5,162
Recycling of PNBD remediations	508	131	(211)	428
Net cost of year 2019	$ 8,239	$ 484	$ 493	$ 9,216

	2018			
	Pension plan	**Seniority premium**	**Termination beneficiaries**	**Total**
Integration of the net cost for year 2018:				
Labor cost for current service (CLSA)	$3,417	$ 253	$ 475	$ 4,145
Net interest on net liability from benefits defined (PNBD)	4,467	140	259	4,866
Recycling of PNBD remediations	208	69	(120)	157
Net cost of year 2019	$ 8,092	$ 462	$ 614	$ 9,168

b) Changes in the net liability from benefits defined are comprised as follows:

	2019			
	Pension plan	**Seniority premium**	**Termination beneficiaries**	**Total**
Net liability from benefits defined (PNBD):				
PNBD as of December 31 2018	$ 51,632	$ 1,749	$ 3,380	$ 56,761
Labor cost of current service	3,417	253	475	4,145
Net interest on PNBD	4,467	140	259	4,866
Benefits paid	(2,257)	(213)	-	(2,470)
Income recognized in ORI	(8,955)	(409)	(1,032)	(10,396)
PNBD as of December 31 2018	48,304	1,520	3,082	52,906
Labor cost of current service	3,912	299	410	4,621
Net interest on PNBD	4,744	124	294	5,162
Employer contributions	(19,469)	-	-	(19,469)
Benefits paid	(13,721)	(841)	(399)	(14,961)
Income recognized in ORI	8,826	518	(142)	9,202
PNBD as of December 31 2019	$ 32,596	$ 1,620	$ 3,245	$ 37,461

c) The net liability from benefits defined is comprised as follows:

	2019			
	Pension plan	**Seniority premium**	**Termination beneficiaries**	**Total**
Provisions for:				
Liability from benefits defined (OBD)	$ 69,695	$ 5,229	$ 3,245	$ 78,169
Plan assets (AP)	(37,099)	(3,609)		(40,708)
Net liability from benefits defined	32,596	1,620	3,245	37,461

	2018			
	Pension plan	**Seniority premium**	**Termination beneficiaries**	**Total**
Provisions for:				
Liability from benefits defined (OBD)	$ 63,917	$ 4,716	$ 3,082	$ 71,715
Plan assets (AP)	(15,613)	(3,196)	-	(18,809)
Net liability from benefits defined	$ 48,304	$ 1,520	$ 3,082	$ 52,906

d) Other comprehensive income as of December 31, 2019 is comprised as follows:

	2019			
	Pension plan	**Seniority premium**	**Termination beneficiaries**	**Total**
Balance of other comprehensive income (ORI) as of January 1, 2019	**$ (6,591)**	**$ 228**	**$ (2,143)**	**$ (8,506)**
Recycling of ORI in income	416	(61)	211	566
Actuarial gains for the period	8,826	518	(142)	9,202
Balance of other comprehensive income (ORI) as of December 31 2019	$ 2,651	$ 685	$ (2,074)	$ 1,262

The significant assumptions used in the actuarial study, in absolute terms, are shown below:

	2019	2018
Actual discount rate used to reflect the present value of liabilities	8.75%	11.25%
Actual rate of increase in future salary levels	4.5%	4.50%
Expected rate of return on plan assets	8.75%	11.25%
Average remaining working life of employees, in which unamortized items are amortized	14.34 years	15.29 years

Plan assets are held in trust and administered by a committee appointed by the Company.

e) The following table shows each of the main classes of plan assets (PA), according to their nature and risk:

	2019	2018
Debt instruments	$ 20,289	$ 9,204
Variable stock instruments	20,419	9,605
Total plan assets	$ 40,708	$ 18,809

The actual return on plan assets for the years ended December 31, 2019 and 2018 was $2,429 and $402, respectively, corresponding to the expected return on plan assets and actuarial gains/losses.

As of December 31, 2019 and 2018, approximately 50% of the plan assets are invested in demand deposits in financial institutions in the country, at market interest rates, and the remaining 50% is invested in the capital market through investment funds that have a diversified portfolio of shares of companies listed in the Mexican Stock Exchange.

11. Short-term benefits for employees

a) Direct short-term benefits:

As of December 31, 2019 and 2018, the Company has recognized cumulative provisions related to short-term direct benefits, which are:

	2019	2018
Profit sharing payable	$ 10,522	$ 8,392
Others	2,151	2,901
	$ 12,673	$ 11,293

b) Liabilities from employees' profit share (PS)

PS for years 2019 and 2018 is comprised as follows:

	2019	2018
PS incurred	$ 10,522	$ 8,392
Deferred PS	1,839	(1,856)
Total PS	$ 12,361	$ 6,536

c) Deferred PS

As of December 31, 2019 and 2018, this item is comprised as follows:

	2019	2018
Deferred tax assets:		
Obsolescence reserve	$ 6,596	$ 5,519
Provisions and other accounts payable	2,327	2,029
Benefits for employees	3,880	5,396
Property, plant and equipment	8,482	10,220
	21,285	23,164
Deferred tax liabilities:		
Advance payments	244	284
Deferred PS assets, net	$ 21,041	$ 22,880

The profit sharing incurred is presented in the operating expenses, and the deferred profit sharing in the other income in the statement of comprehensive income.

12. Shareholders' equity

a) The capital stock at nominal value as of December 31, 2019 and 2018, is comprised as follows:

	Number of shares	Nominal amount
Fixed capital (A series)	50,000	$ 50
Variable capital (B series)	140,476,270	140,476
		140,526
Adjustment complement		9,773
Total		$ 150,299

b) In accordance with the General Law on Commercial Corporations, the Company must separate at least a 5% of each year's net income to increase the legal reserve until it reaches 20% of the capital stock.

c) From 1999 to 2001, the Income Tax Law permitted the option of deferring the payment of a portion of the income tax incurred during those years. The deferral of this tax and the relative profits are controlled through the "net reinvested tax profit account" (CUFINRE).

Profits distributed in excess of CUFINRE and CUFIN (net tax profit account) balances will be subject to corporate income tax at the rate in effect at the time of distribution. Payment of this tax may be credited against income tax.

Dividends paid to individuals and companies residing abroad on profits generated from 2014 onwards are subject to an additional 10% tax withholding.

d) As of December 31, 2019 and 2018, other comprehensive income are comprised as follows:

	2019	2018
Balance at the beginning of the ORI fiscal year	$ 8,506	$ (2,047)
Recycling and actuarial gain of the ORI	(9,768)	10,553
Balance at the end of the year	(1,262)	8,506
Deferred tax	(378)	$ 2,552
	$ (884)	$ 5,954

13. Taxes on profits

a) Income tax (ISR)

For the fiscal year 2019 and 2018, according to the Income Tax Law (ISR), the ISR rate is 30%.

Income tax for the period is calculated by applying the rate on the taxable income.

The Income Tax Law (LISR) establishes criteria and limits for the application of certain deductions, such as: the deduction of payments that are exempt income for workers, contributions for the creation or increase of reserves to pension funds, contributions to the Mexican Social Security Institute made by the worker and paid by the employer; as well as the possible non-deductibility of payments made to related parties if certain requirements are not met.

b) Participation of employees in profit sharing (PS)

The LISR establishes that the basis for the determination of PS for the year is the taxable income determined for the calculation of income tax for the year, considering certain adjustments considered by the LISR.

c) As of December 31, 2019 and 2018, income tax charged to income is comprised as follows:

	2019	2018
Profit tax incurred	$ 33,704	$ 25,149
Deferred profit tax	4,324	(4,969)
Total profit tax	$ 38,028	$ 20,180

The deferred taxes shown in the financial statements consist of:

	2019	2018
Deferred tax assets:		
Impairment estimation	$ 19,788	$ 16,558
Provisions	6,982	6,085
Profit sharing payable	3,156	2,518
Benefits for employees	11,639	16,188
Property, plant and equipment	25,447	30,660
	67,012	72,009
Deferred tax liabilities:		
Advance payments	731	852
Deferred PS	6,313	6,864
	7,044	7,716
Net, deferred asset tax	$ 59,968	$ 64,293

In assessing the recovery of deferred assets, the Management considers the probability that some or all of those deferred assets will not be recovered. The final realization of deferred assets depends on the generation of taxable income in the periods in which temporary differences are deductible. In making this assessment, the Management considers the expected reversal of deferred liabilities, projected taxable income and planning strategies.

d) The following is a reconciliation between the statutory tax rate and the effective income tax rate recognized by the Company:

	2019	2018
Profit before income taxes	$ 90,593	$ 54,220
Approved statutory income tax rate	30%	30%
Income tax on accounting profit	27,178	16,266
Plus (less):		
Effect of fiscal inflation, net	10,376	2,452
Non-deductible expenses	295	340
Differences from D-3	(4,518)	(648)
Non-deductible salaries	4,657	2,530
Others	40	(760)
Total RT	$ 38,028	$ 20,180
Effective rate	42%	37%

e) Fiscal balances

The following are the tax balances as of December 31, 2019 and 2018:

	2019	2018
Capital Contributions Account	$ 244,642	$ 237,933
Previous 2014 Net Tax Income Account	203,405	198,174
Net Tax Income Account after 2014	243,260	193,075

14. Analysis of net sales and other income

As of December 31 2019 and 2018, an analysis of the nature of net sales and other income is shown in the statement of comprehensive income:

	2019	2018
Sale of products to related parties	$ 531,541	$ 581,368
Sale of products to third parties	933,016	681,686
Product marketing	31,969	43,033
Net sales	1,496,526	1,306,087
Income from the sale of raw materials	8,232	3,421
Deferred PS	-	1,856
Others	23,026	400
Other income	31,258	5,677
Total income	$ 1,527,784	$ 1,311,764

15. Analysis of cost of sales and operating expenses

As of December 31, 2019 and 2018, an analysis of the nature of sales cost and operating expenses is shown in the statement of comprehensive income:

	Cost of sales		Operating expenses	
	2019	2018	2019	2018
Cost of materials sold	$ 986,108	$ 868,311	$ -	$ -
Other expenses	20,063	51,817	41,587	31,960
Cross-Contamination Costs	-	-	41,472	-
Freight	-	-	22,766	12,783
Estimate for credit losses	-	-	10,571	-
Impairment estimation	14,896	6,588	-	-
Fuels and energy	39,811	46,143	17,539	4,941
Wages, salaries and benefits	48,065	68,387	17,073	9,131
External service charges	19,528	35,655	10,144	1,158
Maintenance	15,381	18,241	22,469	9,030
Depreciation and amortization	34,827	23,674	6,139	1,557
Insurance and bonds	2,236	3,873	4,426	2,322
PS	8,417	6,511	2,105	1,628
Total	$ 1,189,332	$ 1,129,200	$ 196,291	$ 74,510

16. Contingencies

As of December 31, 2019, the Company presents the following contingencies:

a) The Company is involved in various lawsuits and claims, arising from the normal course of business, which are not expected to have a material effect on its future financial position and results of operations.

b) According to current tax legislation, the authorities have the power to review up to five fiscal years prior to the last income tax return filed.

The Company is involved in three nullity actions for the concept of audit of fiscal years of operations held between related parties to the Income Tax Law (LISR) for the years 2007 in the amount of $52,354, including $4,781 of additional PS to be distributed, 2008 with an amount of $59,366, including $7,459 of additional PS to be distributed; 2006 with an amount of $86,630 including $9,242 of additional PS to be distributed, derived from the resolutions of tax credits and resolutions to revoke previously appeals filed. The Company and its legal advisors believe that they have the potential to obtain favorable resolutions in all cases.

With reference to the three cases mentioned above, applications for annulment were filed on April 25, 2017, March 24, 2017 and April 21, 2017, respectively, all of the above before the Federal Court of Administrative Justice, whereby both the decision determining the tax credit and the decision of the appeal for annulment of each case issued by the Tax Administration Service (SAT) were challenged.

In addition to the above, on February 8, 2018, the company filed before the First Regional Metropolitan Chamber of the Federal Court of Administrative Justice an incident of accumulation of lawsuits to the effect that the three lawsuits filed be accumulated as one,

the referred Chamber resolved that it was appropriate to accumulate lawsuits on June 1, 2018.

17. Reviewing powers

a) According to the Income Tax Act, companies that carry out transactions with related parties are subject to limitations and tax obligations, with regard to the determination of the agreed prices, since these must be comparable to those that would be used with or between independent parties in comparable transactions.

In case the tax authorities reviewed the prices and rejected the amounts determined, they might demand, in addition to the collection of the corresponding tax and accessories (updating and surcharges), fines on the omitted contributions, which could be up to 100% on the adjusted amount of the contributions.

b) On December 1, 2012, amendments to the Federal Labor Law came into effect, which may have an implication on the Company's financial position, ranging from disclosure in the financial statements to recognition of an additional liability for employee profit sharing or other liability related to the provision of employees services. As of December 31, 2018, the Company's management assessed the impact of these reforms on its financial information and concluded that they do not have an impact at the end of the year 2018; however, this situation could change in the future, so the Management will continue to assess the impacts of such reform.

18. Subsequent events

At the date of issuance of these financial statements, there is a health emergency in several countries around the world, including Mexico, so the country's authorities have issued certain restrictions for trade and industry, but these restrictions are not affecting the company for it pertains to the chemical-pharmaceutical sector which, along with others, are considered by the same authorities as essential in this health emergency, so there is no imminent impact, but we will continue to evaluate the possible consequences during 2020.

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Audit Report

S.X.K.S.Z. (2020) No. 157

All Shareholders of KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.:

I. Audit Opinion

We have audited the attached financial statements of KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. (hereinafter referred to as the "Company"), including the balance sheet as of December 31, 2019, the income statement, the cash flow statement, and the statement of changes in owners' equity for 2019, as well as the notes to the financial statements.

In our opinion, the attached financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and present fairly, in all material respects, the financial position of the Company as of December 31, 2019, as well as the results of operations and cash flows for 2019.

II. Basis for Forming an Audit Opinion

We conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants' Responsibilities for the Audit of Financial Statements" of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants (hereinafter referred to as the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate for providing a basis for our audit opinion.

III . Responsibilities of Management and Those Charged With Governance of the Financial Statements

The Company's management (hereinafter referred to as the "Management") is responsible for preparing and making a fair presentation of financial statements in accordance with the Accounting Standards for Business Enterprises, and designing, implementing and maintaining necessary internal controls to ensure the financial statements are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

IV. Certified Public Accountants' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a

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material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they may reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Suzhou Xinlian Certified Public Accountants Co., Ltd. Chinese CPA:
(signature and seal)
Chinese CPA:
(signature and seal)

Kunshan, China April10, 2020

Balance Sheet

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

As at December 31, 2019

Form AF-01

Unit: RMB Yuan

Item	Line No.	Closing balance	Opening balance	Item	Line No.	Closing balance	Opening balance
Current assets:	01			Current liabilities:	65		
Cash and cash equivalents	02	82,528,345.73	168,268,801.69	Short-term loans	66		
Settlement reserves	03			Borrowings from the central bank	67		
Lending to banks and other finanical institutions	04			Deposits absorbed and due to banks and other financial institutions	68		
Transactional financial assets	05			Borrowings from banks and other financial institutions	69		
Notes receivable	06	205,841,640.74	160,234,794.58	Transactional finanical liabilities	70		
Accounts receivable	07	135,352,658.67	128,321,210.99	Notes payable	71		
Advance payment	08	59,032,959.21	19,427,476.99	Accounts payable	72	90,929,439.72	47,274,708.58
Premium receivable	09			Advance receipt	73	1,146,168.24	1,397,302.11
Reinsurance accounts receivable	10			Financial assets sold for repurchase	74		
Reinsurance contract reserves receivable	11			Fees and commissions payable	75		
Interest receivable	12			Payroll payable	76	62,264,950.21	35,762,748.25
Other receivables	13	19,080,244.78	24,075,637.53	Including: wages payable	77	61,413,590.59	35,762,748.25
Redemptory monetary capital for sale	14			Benefits payable	78	851,359.62	
Inventories	15	115,595,328.73	60,921,961.25	Including: staff and workers' bonus and welfare fund	79	851,359.62	
Including: raw materials	16	36,438,962.18	12,279,732.97	Taxes and dues payable	80	12,382,696.57	24,336,546.03
Stock goods	17	29,283,633.28	15,876,100.22	Including: taxes payable	81	12,185,674.44	24,027,786.75
Non-current assets due within one year	18			Interest payable	82		
Other current assets	19		615,094.71	Other payables	83	39,247,409.94	42,561,837.06
Total current assets	20	617,431,177.86	561,864,977.74	Dividend payable for reinsurance	84		
Non-current assets:	21			Insurance contract reserve fund	85		
Loans and advance issued	22			Securities underwriting brokerage deposits	86		
Financial assets available for sale	23			Customer brokerage deposits	87		
Held-to-maturity investments	24			Non-current liabilities due within one year	88		
Long-term receivables	25			Other current liabilities	89	23,604,811.08	5,539,773.77
Long-term equity investments	26			Total current liabilities	90	229,575,475.76	156,872,915.80
Investment real estates	27			Non-current liabilities:	91		
Fixed assets- cost	28	75,159,138.21	68,636,611.28	Long-term loans	92		
Less: accumulated depreciation	29	41,863,312.84	38,566,369.54	Bonds payable	93		
Net value of fixed assets	30	33,295,825.37	30,070,241.74	Long-term payables	94		
Less: provision for impairment of fixed assets	31			Special payable	95		
NBV of fixed assets	32	33,295,825.37	30,070,241.74	Accrued liabilities	96		
Construction in progress	33	4,106,547.12	1,169,326.81	Deferred tax liabilities	97		

Balance Sheet

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

As at December 31, 2019

Form AF-01

Unit: RMB Yuan

Item	Line No.	Closing balance	Opening balance	Item	Line No.	Closing balance	Opening balance
Project materials	34			Other non-current liabilities	98		
Liquidation of fixed assets	35			Including: special reserve fund	99		
Productive biological assets	36			Total non-current liabilities	100		
Oil and gas assets	37			Total liabilities	101	229,575,475.76	156,872,915.80
Intangible assets	38	3,968,578.06	4,334,850.62	Owner's equity (or shareholder's equity):	102		
Development expenditure	39			Paid-in capital (stock)	103	153,166,636.15	153,166,636.15
Goodwill	40			National capital	104	1,515,447.50	1,515,447.50
Long-term deferred expenses	41	6,607,259.35	468,335.39	Collective capital	105		
Deferred tax assets	42	11,026,394.06	1,484,412.06	Legal person's capital	106		
Other non-current assets	43			Including: state-owned legal person's capital	107		
Including: specially approved reserving materials	44			Collective legal person's capital	108		
Total non-current assets	45	59,004,603.96	37,527,166.62	Personal capital	109		
	46			Foreign capital	110	151,651,188.65	151,651,188.65
	47			Less: Investment returned	111		
	48			Net paid-in capital (or stock)	112	153,166,636.15	153,166,636.15
	49			Capital reserve	113	-1,971,221.64	-1,971,221.64
	50			Less: treasury stock	114		
	51			Special reserve	115		
	52			Surplus reserve	116	8,513,596.17	
	53			Including: statutory surplus reserve	117		
	54			Discretionary surplus reserve	118		
	55			Reserve fund	119	8,513,596.17	
	56			Enterprise development fund	120		
	57			Profit capitalized on return of investments	121		
	58			Gneral risk provision	122		
	59			Retained earnings	123	287,151,295.38	291,323,814.05
	60			Translation reserve	124		
	61			Total owner's equity attributable to owners of parent company	125	446,860,306.06	442,519,228.56
	62			Minority interest	126		
	63			Total owner's equity	127	446,860,306.06	442,519,228.56
Total assets	64	**676,435,781.82**	**599,392,144.36**	**Total liabilities and owner's equity**	128	**676,435,781.82**	**599,392,144.36**

Income Statement

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

For the Year 2019

Form AF-02

Unit: RMB Yuan

Item	Line No.	Current period	Prior period	Item	Line No.	Current period	Prior period
I Total operating income	01	772,905,389.40	672,524,114.84	Add: Income from changes in fair value (losses expressed with "-")	30		
Including: operating income	02	772,905,389.40	672,524,114.84	Investment income (losses expressed with "-")	31		
Including: income from main business	03			Including: income from associates	32		
Income from other businesses	04			Exchange gains (losses expressed with "-")	33		
Interest income	05			III Operating profit (losses expressed with "-")	34	107,290,548.03	142,027,587.97
Earned premium	06			Add: non-operating income	35	612,083.70	471,410.68
Fee and commission income	07			Including: income from disposal of non-current assets	36		
II Total operating costs	08	665,614,841.37	530,353,653.48	Income from non-monetary assets swap	37		
Including: operating costs	09	167,286,026.46	148,780,756.74	Government subsidies	38	294,840.00	343,468.09
Including: costs main business	10			Gains on debt restructuring	39		
Cost of other businesses	11			Less: non-operating expenses	40	5,392,751.17	2,715,421.15
Interest expenses	12			Including: losses on disposal of non-current assets	41		
Fee and commission expenses	13			Losses on non-monetary assets swap	42		
Loan value	14			Losses on debt restructuring	43		
Net payment for insurance claims	15			IV Income before tax (losses expressed with "-")	44	102,509,880.56	139,783,577.50
Net amount of reserves for reinsurance contract	16			Less: income tax expenses	45	21,546,437.47	40,510,767.72
Expenditures dividend policy	17			V Net profit (net losses expressed with "-")	46	80,963,443.09	99,272,809.78
Reinsurance costs	18			Net profit attributable to owners' of parent company	47	80,963,443.09	99,272,809.78
Business tax and surcharges	19	8,802,582.96	10,125,276.01	Minority interest	48		
Selling expenses	20	384,749,164.29	335,604,781.64	VI EPS	49		
Overhead expenses	21	102,711,761.11	31,781,958.23	Basic EPS	50		
Including: business entertainment expenses	22			Diluted EPS	51		
R&D expenses	23	71,925,336.59	12,732,319.10	VII Other comprehensive income	52		
Financial expenses	24	1,850,190.79	3,859,329.71	VIII Total comprehensive income	53	80,963,443.09	99,272,809.78
Including: interest expenses	25			Total comprehensive income attributable to owners' of parent company	54	80,963,443.09	99,272,809.78
Interest income	26	2,603,401.93	392,252.48	Total comprehensive income attributable to minority shareholders	55		
Net exchange loss (net income expressed with "-")	27	871,571.94	1,382,534.81				
Assets impairment loss	28		201,551.15				
The disposal income	29	-189,622.24	-142,873.39				

Cash Flow Statement

For the Year 2019

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

Form AF-03

Item	Line No.	Current period	Prior period	Item	Line No.	Current period	Prior period
1. CASH FLOWS FROM OPERATING ACTIVITIES	1			Sub-total of cash outflows	21	18,446,132.65	9,914,709.51
Cash received from sale of goods or rendering of services	2	822,537,232.10	708,779,713.02	Net cash flows from investing activities	22	-18,441,856.15	-9,908,709.51
Refund of taxes and dues	3			3. CASH FLOWS FROM FINANCING ACTIVITIES	23		
Other cash received relating to operating activities	4	6,193,187.04	8,369,350.23	Cash received from capital contribution	24		
Sub-total of cash inflows	5	828,730,419.14	717,149,063.25	Cash received from borrowings	25		
Cash paid for goods and services	6	191,583,200.52	167,015,094.89	Other cash received relating to financing activities	26		
Cash paid to and on behalf of employees	7	169,083,964.85	150,863,666.49	Sub-total of cash inflows	27		
Payment of taxes and dues	8	120,910,757.74	137,449,738.09	Cash repayment of amounts borrowed	28		
Other cash paid relating to operating activities	9	337,808,517.93	241,762,326.91	Cash payment for interest expenses and distribution of dividends or profit	29	75,771,005.97	
Sub-total of cash outflows	10	819,386,441.04	697,090,826.38	Other cash payment relating to financing activities	30		
Net cash flows from operating activities	11	9,343,978.10	20,058,236.87	Sub-total of cash outflows	31	75,771,005.97	
2. CASH FLOWS FROM INVESTING ACTIVITIES	12			Net cash flows from financing activities	32	-75,771,005.97	
Cash received from disposal of investments	13			4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	33	-871,571.94	-1,382,534.81
Cash received from returns on investments	14			5. Net increase/ decrease in cash and cash equivalents	34	-85,740,455.96	8,766,992.55
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15	4,276.50	6,000.00	Closing balance of cash	35	82,528,345.73	168, 268, 801. 69
Other cash received relating to investing activities	16			Less: opening balance of cash	36	168,268,801.69	159,501,808.14
Sub-total of cash inflows	17	4,276.50	6,000.00	Add: closing balance of cash equivalents	37		
Cash paid to acquire fixed assets, intangible assets and other long-term assets	18	18,446,132.65	9,914,709.51	Less: opening balance of cash equivalents	38		
Cash paid to acquire investments	19			Net increase/ decrease in cash and cash equivalents	39	-85,740,455.96	8,766,992.55
Other cash payment relating to investing activities	20						

Statement of Changes in Owner's Equity

For the Year 2019

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

Form AF-04
Unit: RMB Yuan

Item	Line No.	Current year										
		Owner's equity attributable to owners of parent company									Minority interest	Total owner's equity
		Paid-in capital (or stock)	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total		
I Closing balance of prior year	01	153,166,636.15	-1,971,221.64					291,323,814.05		442,519,228.56		442,519,228.56
Add: changes in accounting policies	02											
Early error correction	03											
II Opening balance of current year	04	153,166,636.15	-1,971,221.64					291,323,814.05		442,519,228.56		442,519,228.56
III Changes in current year (decrease expressed with "-")	05					8,513,596.17		-4,172,518.67		4,341,077.50		4,341,077.50
1. Net profit	06							80,963,443.09		80,963,443.09		80,963,443.09
2. Gains and losses recorded directly into the owner's equity	07											
2.1 Net change in fair value of financial assets available for sale	08											
2.2 Impact of changes in other owner's equity of investee under the equity method	09											
2.3 Impact of income tax related to owner's equity items	10											
2.4 Others	11											
Sub-total of net profit and the gains and losses recorded directly into	12											
3. Capital contributed and reduced by owner	13											
3.1 Capital contributed by owner	14											
3.2 Amount of share-based payment recorded into the owner's equity	15											
3.3 Others	16											
4. Withdrawal and use of special reserve	17											
4.1 Special reserve drawn	18											
4.2 Special reserve used	19											
5. Profit distribution	20					8,513,596.17		-85,135,961.76				
5.1 Surplus reserve drawn	21					8,513,596.17		-8,513,596.17				
Including: statutory surplus reserve	22											
Discretionary surplus reserve	23											
Reserve fund	24					8,513,596.17		-8,513,596.17				
Enterprise development fund	25											
Profit capitalized on return of investments	26											
5.2 General risk provision drawn	27											
5.3 Distribution to owners (or shareholders)	28							-75,771,005.97				
5.4 Others	29							-851,359.62				
6. Internal carry-forward of owenr's equity	30											
6.1 Capitalized capital reserve	31											
6.2 Capitalized surplus reserve	32											
6.3 Loss made up with surplus reserve	33											
6.4 Others	34											
IV Closing balance of current year	35	153,166,636.15	-1,971,221.64			8,513,596.17		287,151,295.38		446,860,306.06		446,860,306.06

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Statement of Changes in Owner's Equity

For the Year 2019

Name of Enterprise: KUNSHAN ROTAM REDDY PHARMACEUTICAL CO.

Form AF-04
Unit: RMB Yuan

Item	Line No.	Prior period										
		Owner's equity attributable to owners of parent company									Minority interest	Total owner's equity
		Paid-in capital (or stock)	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total		
I Closing balance of prior year	01	153,166,636.15	-1,971,221.64					192,051,004.27		343,246,418.78		343,246,418.78
Add: changes in accounting policies	02											
Early error correction	03											
II Opening balance of current year	04	153,166,636.15	-1,971,221.64					192,051,004.27		343,246,418.78		343,246,418.78
III Changes in current year (decrease expressed with "-")	05							99,272,809.78		99,272,809.78		99,272,809.78
1. Net profit	06							99,272,809.78		99,272,809.78		99,272,809.78
2. Gains and losses recorded directly into the owner's equity	07											
2.1 Net change in fair value of financial assets available for sale	08											
2.2 Impact of changes in other owner's equity of investee under the equity method	09											
2.3 Impact of income tax related to owner's equity items	10											
2.4 Others	11											
Sub-total of net profit and the gains and losses recorded directly into	12											
3. Capital contributed and reduced by owner	13											
3.1 Capital contributed by owner	14											
3.2 Amount of share-based payment recorded into the owner's equity	15											
3.3 Others	16											
4. Withdrawal and use of special reserve	17											
4.1 Special reserve drawn	18											
4.2 Special reserve used	19											
5. Profit distribution	20											
5.1 Surplus reserve drawn	21											
Including: statutory surplus reserve	22											
Discretionary surplus reserve	23											
Reserve fund	24											
Enterprise development fund	25											
Profit capitalized on return of investments	26											
5.2 General risk provision drawn	27											
5.3 Distribution to owners (or shareholders)	28											
5.4 Others	29											
6. Internal carry-forward of owenr's equity	30											
6.1 Capitalized capital reserve	31											
6.2 Capitalized surplus reserve	32											
6.3 Loss made up with surplus reserve	33											
6.4 Others	34											
IV Closing balance of current year	35	153,166,636.15	-1,971,221.64					291,323,814.05		442,519,228.56		442,519,228.56

I. Company Profile

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. was established upon approval of the People's Government of Jiangsu Province through the approval certificate (Wai Jing Mao Su Fu Zi (1993) No.17200). It obtained a Corporate Business License (Qi He Su Su Zong Zi No.004380) issued by Jiangsu Suzhou Administration for Industry& Commerce on December 31, 1993. It exchanged for an Approval Certificate (Shang Wai Zi Su Fu Zi Zi (1993) No.17200) on March 30, 2006, and received a Corporate Business License (Qi He Su Kun Zong Zi No.000188) exchanged by Jiangsu Suzhou Administration for Industry& Commerce on May 30, 2006. Later, it exchanged for a Corporate Business License (Registration No.320583400001855) issued by Jiangsu Suzhou Administration for Industry& Commerce in 2008. After three certificates and replacement for unified social credit code 91320583608278334C of the business license.

The Company was founded with investments contributed by Dr.Reddy's Laboratories Limited (India), Canada Rotam enterprise (Canada) incorporated in British Virgin Islands, and Kunshan Double-Crane Pharmaceutical Co., Ltd. (China), with total investment of USD29.99 million and original registered capital of USD11.00 million. Later, according to the replies (Kun Jing Kai Zi (2004) No.203 and Kun Kai Zi (2006) No.151) of the management committee of Jiangsu Kunshan Economic & Technological Development Zone on February 20, 2004 and March 30, 2006 on the capital increase of KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD. and the provisions of the revised articles of association, the registered capital was increased to USD18.33011 million.

In 1 2018 the shareholders' committee resolution and after modification, the company's articles of association rules, the company shareholders kunshan double crane pharmaceutical co., LTD will transfer the entire 0.95% stake in the company to the dragon lantern international trade (kunshan) co., LTD.

Business scope(After the change was filed in January 2020): production and marketing of drugs and medical devices; Sales of food and cosmetics; Business information consultation; And provide after-sales service and related technical consultation; Conference services, Business Management Consulting.

II. Principal Accounting Policies

1. Accounting system

The Company implements the *Accounting System for Business Enterprises.*

2. Fiscal year

A fiscal year of the Company is from January 1 to December 31 of the Gregorian calendar.

3. Accounting principle and valuation basis

Accounts are kept on the accrual basis and at the actual cost.

4. Functional currency for bookkeeping and foreign currency translation

RMB is taken as the functional currency for bookkeeping. A foreign currency business incurred will be recorded after being translated into RMB at the market exchange rate published by the People's Bank of China on the first day of that month. At the end of the period, an adjustment will be made to the foreign currency balance of the foreign currency account at the market exchange rate on that day, and the difference will be recorded into the income statement of the current period.

5. Accounting treatment of inventories

The raw materials and finished products will be recorded by the actual cost method when going into the warehouse, and be recorded at the weighted average unit price when being issued.

6. Bad debt provision

Accounts receivable and the bad debt provision of other receivables will be drawn at 0.2% of the closing balance.

7. Fixed assets and depreciation

A fixed asset will be recorded at the actual cost of acquisition, and be depreciated by the straight-line method, with the salvage value rate of 10%. See below for details about the depreciation of a variety of fixed assets:

Classification	Depreciation period (year)	Annual depreciation rate (%)
(1) Buildings and structures	20	4.5
(2) Machinery& equipment	10	9
(3) Transportation facilities	5	18
(4) Instrumentation equipment	5	18
(5) Electronic office equipment	5	18
(6) Other equipment	5	18

8. The intangible assets mainly consisted of the land use rights, which were to be amortized throughout the benefit period of 50 years.

9. The long-term deferred expenses mainly consisted of the other deferred expenses, which were to be amortized throughout the benefit period.

10. Employee compensation

The term "employee compensation" refers to all kinds of payments and other relevant expenditures given by the Company in exchange of the services offered by the employees, including the wages, bonuses, allowances and subsidies for employees, benefits for employees, medical insurance, endowment insurance, unemployment insurance, work-related injury insurance, maternity insurance and other social insurances, housing provident fund, trade union fund and personal education, non-monetary welfare, compensations for the cancellation of the labor relationship with the employees, and other relevant expenditures in exchange of

services offered by the employees, etc.

11. Recognition of prime operating revenue

Sale of products

The revenue from sale of products will not be recognized until the main risks and rewards of the products have been transferred to the buyer, the Company retains neither the continuous management right, which usually connects with the ownership, nor control over the products sold, and the relevant costs incurred or to be incurred can be measured reliably.

12. Income tax

The income tax consists of the current income tax and deferred income tax.

The Company records the income tax by the balance sheet liability method, and confirms the impact of temporary difference on the income tax. The Company calculates the taxable temporary difference and deductive temporary difference according to the carrying amount and tax base of the assets and liabilities, and confirms the corresponding deferred tax assets and liabilities.

III. Tax Rates

VAT: tax rate: 16%/13%(Value-added tax rates have been reduced from 16 per cent to 13 per cent, since 1 April 2019)

Educational surcharges: calculated and paid at 3% of the "three taxes"

Local educational surcharges: calculated and paid at 2% of the "three taxes"

Urban maintenance and construction tax: calculated and paid at 7% of the "three taxes"

Enterprise income tax: applicable tax rate: 25%.

IV. Notes to Balance Sheet Items

1. Cash and cash equivalents:

Item	As of December 31, 2019	As of December 31, 2018
Cash	31,867.77	28,695.35
Bank deposits	82,496,477.96	168,240,106.34
Sub-total	82,528,345.73	168,268,801.69

2. Notes receivable:

Item	As of December 31, 2019	As of December 31, 2018
Bank's acceptance bills	205,841,640.74	160,234,794.58

3. Accounts receivable:

(1)Item	As of December 31, 2019	As of December 31, 2018
Trade receivable	135,623,906.48	128,578,367.72
Less: bad debt provision	271,247.81	257,156.73
Sub-total	135,352,658.67	128,321,210.99
(2)Aging structure	As of December 31, 2019	As of December 31, 2018
Less than 1 year	135,623,906.48	128,578,367.72
Sub-total	135,623,906.48	128,578,367.72

4. Advance payments:

(1)Item	As of December 31, 2019	As of December 31, 2018
Payment for equipment engineering	5,832,632.00	5,149,560.00
Materials	4,741,191.30	3,460,792.00
Expenses	48,459,135.91	10,817,124.99
Sub-total	59,032,959.21	19,427,476.99
(2)Aging structure	As of December 31, 2019	As of December 31, 2018
Less than 1 year	58,097,586.21	18,095,117.50
1-2 years	180,588.00	909,654.49
2-3 years	347,080.0	271,149.00
3 years above	407,705.000	151,556.00
Sub-total	59,032,959.21	19,427,476.99

5. Other receivables:

(1)Item	As of December 31, 2019	As of December 31, 2018
Internal current accounts	27,000.00	27,000.00
Imprest	1,780,719.64	1,682,148.38
Advance	11,282,062.10	17,160,891.54
Others	6,028,700.00	5,251,542.13
Sub-total	19,118,481.74	24,121,582.05
Less: bad debt provision	38,236.96	45,944.52
Other receivables	19,080,244.78	24,075,637.53
(2)Aging structure	As of December 31, 2019	As of December 31, 2018
Less than 1 year	13,625,218.97	23,405,361.05
1-2 years	4,873,481.77	623,700.00
2-3 years	609,781.00	92,521.00

3 years above	10,000.00	-
Sub-total	19,118,481.7	24,121,582.05

6. Inventories:

Item	As of December 31, 2019	As of December 31, 2018
Raw materials	35,150,721.35	11,153,619.04
Wrappage	1,288,240.83	1,126,113.93
Work-in-process	2,861,170.62	3,615,949.40
Semi-finished products	47,011,562.65	29,150,178.66
Finished products	29,283,633.28	15,876,100.22
Sub-total	115,595,328.73	60,921,961.25

7. Fixed assets:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Original value:				
Buildings and structures	31,614,259.62	281,818.18	-	31,896,077.80
Machinery& equipment	16,857,587.13	5,559,956.52	185,910.25	22,231,633.40
Transportation facilities	1,658,125.34	212,911.35	-	1,871,036.69
Instrumentation equipment	11,156,993.62	1,539,095.89	1,039,215.42	11,656,874.09
Electronic office equipment	5,770,716.38	397,393.61	240,436.74	5,927,673.25
Other equipment	1,578,929.19	3,413.79	6,500.00	1,575,842.98
Sub-total	68,636,611.28	7,994,589.34	1,472,062.41	75,159,138.21
Accumulated depreciation:				
Buildings and structures	18,164,530.05	1,212,010.64	-	19,376,540.69
Machinery& equipment	7,676,003.15	1,460,770.42	138,040.52	8,998,733.05
Transportation facilities	1,185,408.78	159,263.25	-	1,344,672.03
Instrumentation equipment	7,693,264.48	975,415.33	144,000.00	8,524,679.81
Electronic office equipment	2,974,148.89	629,055.98	996,123.15	2,607,081.72

Other equipment	873,014.19	138,591.35	-	1,011,605.54
Sub-total	38,566,369.54	4,575,106.97	1,278,163.67	41,863,312.84
Fixed assets, net:				
Buildings and structures	13,449,729.57	--	--	12,519,537.11
Machinery& equipment	9,181,583.98	--	--	13,232,900.35
Transportation facilities	472,716.56	--	--	526,364.66
Instrumentation equipment	3,463,729.14	--	--	3,132,194.28
Electronic office equipment	2,796,567.49	--	--	3,320,591.53
Other equipment	705,915.00	--	--	564,237.44
Sub-total	30,070,241.74	--	--	33,295,825.37

8. Construction in progress:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Test building and ancillary facilities	1,167,326.81	3,419,038.49	481,818.18	4,104,547.12
Sewage treatment project, etc.	2,000.00	-	-	2,000.00
Sub-total	1,169,326.81	3,419,038.49	481,818.18	4,106,547.12

9. Intangible assets :

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
Land use right	3,383,873.97	-	133,573.92	3,383,873.97
Technical service charges	70,000.00	-	70,000.00	-
software	880,976.65	-	162,698.64	718,278.01
Sub-total	4,334,850.62	-	383,205.90	3,968,578.06

10. Long-term deferred expenses:

Item	Opening	Increase in	Amortization	Closing

	balance	current year	in current year	balance
Steam supply system	468,335.39		48,869.76	419,465.63
Agency fee for product sales		6,631,251.00	443,457.28	6,187,793.72
Sub-total	468,335.39	6,631,251.00	492,327.04	6,607,259.35

11. Deferred tax assets:

Item	Closing balance		Opening balance	
	Deferred tax assets	Deductible temporary difference	Deferred tax assets	Deductible temporary difference
Provision for bad debt	70,997.81	283,991.25	75,775.31	303,101.25
Accrued expenses	5,130,778.25	20,523,113.00	701,136.75	2,804,547.00
Unpaid wages	5,824,618.00	23,298,472.00	707,500.00	2,830,000.00
Sub-total	11,026,394.06	44,105,576.25	1,484,412.06	5,937,648.25

12. Accounts payable:

Item	As of December 31, 2019	As of December 31, 2018
Trade payables	90,929,439.72	47,274,708.58
Aging structure	As of December 31, 2019	As of December 31, 2018
Less than 1 year	86,299,692.34	47,123,531.46
1-2 years	4,594,703.88	128,402.12
2-3 years	15,068.50	6,975.00
3 years above	19,975.00	15,800.00
Sub-total	90,929,439.72	47,274,708.58

13. Payroll payable:

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
一、Short-term compensation	35,762,748.25	168,841,403.84	151,190,561.50	53,413,590.59
二、Post-exit welfare-setting up plan	-	11,711,653.57	11,711,653.57	-
三、Severance package	-	10,148,739.46	2,148,739.46	8,000,000.00
四、Remuneration of other staff and workers	-	851,359.62	-	851,359.62
Sub-total	35,762,748.25	191,553,156.49	165,050,954.53	62,264,950.21

①、Short-term compensation is shown

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
一、Salaries, bonuses, allowances and subsidies	35,762,748.25	149,308,810.46	131,657,968.12	53,413,590.59
二、Employee benefits	-	6,653,657.37	6,653,657.37	-
三、Social insurance premium	-	6,090,004.81	6,090,004.81	-
Among them: medical insurance premium	-	5,262,505.81	5,262,505.81	-
Work-related injury insurance	-	315,423.25	315,423.25	-
Maternity insurance	-	512,075.75	512,075.75	-
四、Housing provident fund	-	6,494,931.20	6,494,931.20	-
五、Union funds and staff education funds	-	294,000.00	294,000.00	-
Sub-total	35,762,748.25	168,841,403.84	151,190,561.50	53,413,590.59

②、Set up the storage plan

Item	Opening balance	Increase in current year	Amortization in current year	Closing balance
一、Basic pension insurance	-	11,303,448.60	11,303,448.60	-
二、Unemployment insurance	-	408,204.97	408,204.97	-
Sub-total	-	11,711,653.57	11,711,653.57	-

14. Taxes and dues payable:

Item	As of December 31, 2019	As of December 31, 2018
VAT payable	3,679,644.46	6,060,825.36
Enterprise income tax payable	7,610,532.65	16,201,626.62
Individual income tax payable	560,412.09	1,228,718.66
Real estate tax payable	67,966.14	71,604.98
Land use tax payable	9,543.99	19,883.31
Stamp tax payable	13,039.91	12,864.82
Urban maintenance and construction tax payable	257,575.11	432,263.00
Educational surcharges payable	11,722.94	185,255.57

Local educational surcharges payable	172,259.28	123,503.71
Sub-total	12,382,696.57	24,336,546.03

15. Other payables:

Item	As of December 31, 2019	As of December 31, 2018
Expenses	39,247,409.94	42,561,837.06
Aging structure	As of December 31, 2019	As of December 31, 2018
Less than 1 year	38,924,265.94	42,229,693.06
1-2 years	-3,000.00	15,204.00
2-3 years	15,204.00	316,940.00
3 years above	310,940.00	-
Sub-total	39,247,409.94	42,561,837.06

16. Other current liabilities:

Item	Closing balance	Opening balance
Estimated Cash discount	6,319,253.00	2,804,547.00
Estimated cost of technical services	14,203,860.00	-
Estimated Others	3,081,698.08	2,735,226.77
Sub-total	23,604,811.08	5,539,773.77

17. Paid-in capital:

Investor	Opening balance	Increase in current year	Decrease in current year	Closing balance
Dr.Reddy's Laboratories Limited (India)	77,746,692.72 (USD9,408,642.00	- -	- -	77,746,692.72 USD9,408,642.00)
Canada Rotam enterprise	73,904,495.93 (USD8,746,468.00	-	-	73,904,495.93 USD8,746,468.00)
Rotam International Trade(Kunshan) Limited	I,515,447.50 (USD175,000.00	-	--	1,515,447.50 USD175,000.00)
Sub-total	153,166,636.15 (USD18,330,110.00	1,515,447.50 USD175,000.00	1,515,447.50 USD175,000.00	153,166,636.15 USD18,330,110.00)

18. Capital reserves:

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Foreign currency capital exchange differences	-1,971,221.64	-	-	-1,971,221.64

19. Surplus Reserve

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Reserve fund		8,513,596.17	-	8,513,596.17

20. Retained earnings:

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Retained earnings	291,323,814.05	80,963,443.09	85,135,961.76	287,151,295.38

V. Notes to Income Statement Items

Item	Current period	Prior period
Operating income	772,905,389.40	672,524,114.84
Operating costs	167,286,026.46	148,780,756.74
Taxes and Additions	8,802,582.96	10,125,276.01
Operating expenses	384,749,164.29	335,604,781.64
Overhead expenses	102,711,761.11	31,781,958.23
Financial expenses	1,850,190.79	3,859,329.71
Asset impairment losses	25,493.52	201,551.15
The disposal income	-189,622.24	-142,873.39
Non-operating revenue	612,083.70	471,410.68
Non-operating expenses	5,392,751.17	2,715,421.15
Income tax	11,417,840.74	40,510,767.72
Net profit	80,963,443.09	99,272,809.78

VI. Related Party Relationship and Transactions

1. Related party relationship

Name of related enterprise	Place of incorporation	Relationship with the Company	Business nature or type
Dr.Reddy's Laboratories Limited (India)	India	Investor	Limited liability company
Canada Rotam enterprise incorporated in British Virgin Islands	British Virgin Islands	Investor	Limited liability company
Dragon lantern international trade(kunshan) Co., Ltd. (China)	Kunshan	Investor	Limited liability company
DR. Reddy's (wuxi)pharmaceutical Co., Ltd.	Wuxi	Subject to the control of the same ultimate parent company	Limited liability company

2. Related party transactions

The details of the company's transactions with related parties in the previous and current years are as follows:

(I). Entrusted Technical Services

Name of related enterprise	Current period	Prior period
Dr.Reddy's Laboratories Ltd.	USD 1,660,000.00	-
DR. Reddy's (wuxi)pharmaceutical Co., Ltd.	RMB 15,749,999.47	-

(2) Balance of receivables and payables

Item	Closing balance as of December 31, 2019	Closing balance as of December 31, 2018
Other receivables:		
DR. Reddy's (wuxi)pharmaceutical Co., Ltd.	-	RMB7,800,000.00

The following person in charge executes the financial statements:

Principal: Michael. zhang Person in charge of financial affairs: Uday prepared by: Sheping Yang

KUNSHAN ROTAM REDDY PHARMACEUTICAL CO., LTD.

April10, 2020

编号 320583000201608180409

营业执照

(副本)

事务所
章

统一社会信用代码 91320583251263761J （1/1）

名　　称	苏州信联会计师事务所有限公司
类　　型	有限责任公司
住　　所	昆山开发区新都银座3号楼1901室
法定代表人	范志龙
注册资本	50万元整
成立日期	2000年01月13日
营业期限	2000年01月13日至******
经营范围	审计、查证、验资、资产评估；基建工程预决算编制、审核、咨询服务，会计电算化评审。（依法须经批准的项目，经相关部门批准后方可开展经营活动）

登记机关

昆山市市场监督管理局

请于每年1月1日至6月30日履行年报公示义务

2016 年 08 月 18 日

LACOCK HOLDINGS LIMITED

FINANCIAL STATEMENTS
Year ended 31 March 2020

LACOCK HOLDINGS LIMITED

FINANCIAL STATEMENTS
Year ended 31 March 2020

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LACOCK HOLDINGS LIMITED

BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

Board of Directors	George Flourentzou Milorad Vujnovic Kallam Satish Reddy CCY Management Limited Sameer Sudhakar Natu
Company Secretary	CCY Services Limited
Independent Auditors	Ernst & Young Cyprus Limited Certified Public Accountants and Registered Auditors Jean Nouvel Tower 6 Stasinou Avenue PO Box 21656 1511 Nicosia, Cyprus
Registered office	10 Diomidous str. AlphaMega-Akropolis Building 3rd Floor, Apt. 401 2024, Nicosia, Cyprus
Bankers	Citibank
Registration number	HE169442

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinou Avenue
1060 Nicosia
P.O. Box 21656
1511 Nicosia, Cyprus

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ey.com

Building a better working world

Independent Auditor's Report

To the Members of Lacock Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lacock Holdings Limited (the "Company"), which are presented in pages 4 to 19 and comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Lacock Holdings Limited as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Gabriel Onisiforou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, 6 May 2020

LACOCK HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2020

	Note	2020 €	2019 €
Loan interest income	13.1	2.013	2.316
Operating Profit		2.013	2.316
Administration expenses	5	(36.964)	(20.179)
Operating loss		(34.951)	(17.863)
Finance costs	6	(987)	(1.009)
Loss before tax		(35.938)	(18.872)
Tax	7	(260.233)	-
Net loss for the year		(296.171)	(18.872)
Other comprehensive income		-	-
Total comprehensive income for the year		(296.171)	(18.872)

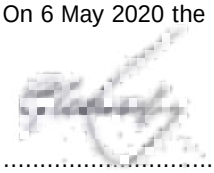
The notes on pages 8 to 19 form an integral part of these financial statements.

LACOCK HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION
31 March 2020

	Note	2020 €	2019 €
ASSETS			
Non-current assets			
Investment in subsidiary	8	4.250.000	1.750.000
		4.250.000	1.750.000
Current assets			
Refundable tax	9	-	247.358
Loans to parent	13	260.493	290.544
Cash and cash equivalents	10	3.905	6.091
		264.398	543.993
Total assets		4.514.398	2.293.993
EQUITY AND LIABILITIES			
Equity			
Share capital	11	27.646	27.416
Share premium		284.348.565	281.836.295
Translation reserve		356	356
Accumulated losses		(279.874.591)	(279.578.420)
Total equity		4.501.976	2.285.647
Current liabilities			
Trade and other payables	12	12.422	8.346
		12.422	8.346
Total equity and liabilities		4.514.398	2.293.993

On 6 May 2020 the Board of Directors of Lacock Holdings Limited authorised these financial statements for issue.



.....
George Flourentzou
Director



.....
Milorad Vujnovic
Director

LACOCK HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2020

	Share capital €	Share premium €	Translation reserve €	Accumulated losses €	Total €
Balance at 1 April 2018	27.416	281.836.295	356	(279.559.548)	2.304.519
Comprehensive income					
Net loss for the year	-	-	-	(18.872)	(18.872)
Balance at 31 March 2019/ 1 April 2019	27.416	281.836.295	356	(279.578.420)	2.285.647
Comprehensive income					
Issued capital	230	2.512.270	-	-	2.512.500
Net loss for the year	-	-	-	(296.171)	(296.171)
Balance at 31 March 2020	27.646	284.348.565	356	(279.874.591)	4.501.976

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

LACOCK HOLDINGS LIMITED

CASH FLOW STATEMENT
Year ended 31 March 2020

	Note	2020 €	2019 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(296.171)	(18.872)
Adjustments for:			
Interest income		(2.013)	(2.316)
		(298.184)	(21.188)
Changes in working capital:			
Decrease in refundable taxes		247.358	
Increase/ (decrease) in trade and other payables		4.076	(3.470)
Cash used from /(in) operations		(46.750)	
Income Tax paid		12.875	-
Cash used in operations		(33.875)	(24.658)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from issuance of ordinary shares		2.512.500	
Payment for purchase of investment in subsidiary	8	(2.500.000)	-
Loans repayments received, including interest		31.371	2.352
Net cash used in investing activities		43.871	2.352
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net decrease in cash and cash equivalents		9.996	(22.306)
Cash and cash equivalents at beginning of the year		6.091	28.397
Cash and cash equivalents at end of the year	10	3.905	6.091

The notes on pages 8 to 19 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

1. Corporate information

Country of incorporation

Lacock Holdings Limited (the "Company") was incorporated in Cyprus on 15 December 2005 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 10 Diomidous str., AlphaMega-Akropolis Building, 3rd Floor, Apt. 401, 2024, Nicosia, Cyprus.

Principal activities

The principal activity of the Company, which is unchanged from last year, is to provide finance to its wholly owned subsidiaries.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The Company is not required by the Cyprus Company Law, Cap.113, to prepare consolidated financial statements because the ultimate parent company, Dr Reddy's Laboratories Limited (Dr Reddy's), publishes consolidated financial statements in accordance with Indian Act and IFRS and the Company does not intend to issue consolidated financial statements for the year ended 31 March 2020. Copy of the consolidated financial statements can be obtained from No 8-2-337, Road No.3, Banjara Hills, Hyderabad, Telangana, India-500 034 or www.drreddys.com.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 March 2020 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 April 2019 as follows:

IFRS 16: Leases
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard did not have any impact on the Company's financial position and performance.

IFRS 9: Prepayment features with negative compensation (Amendment)
The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The amendments did not have any impact on the Company's financial position and performance.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)
The Amendments relate to whether the measurement, in particular impairment requirements, of long- term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments did not have any impact on the Company's financial position and performance.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The interpretation did not have any impact on the Company's financial position and performance.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The amendments did not have any impact on the Company's financial position and performance.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments did not have any impact on the Company's financial position and performance.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. Summary of significant accounting policies (continued)

Standards, Interpretations and Amendments to published standards that are issued but not yet effective

Up to the date of approval of the financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

Issued by the IASB and adopted by the European Union
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019) (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) (effective for annual periods beginning on or after 1 January 2020).

Issued by the IASB but not yet adopted by the European Union
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017) (effective for annual periods beginning on or after 1 January 2021).
- Amendment to IFRS 3 "Business Combinations" (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020).

The above are expected to have no significant impact on the Company's financial statements when they become effective.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. Summary of significant accounting policies (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial Assets at Amortised Cost
The Company classifies its financial assets at amortised cost if both of the following criteria are met: a) the asset is held within a business model with the sole business objective to hold the asset in order to collect the contractual cash flows, and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company calculates ECL using the following three components:

- exposure at default (EAD),
- loss given default (LGD) and
- probability of default (PD)

EAD represents the expected exposure in the event of a default during the life of a financial instrument. For estimating the probability of default (PD), the Company use credit ratings from external rating agencies. The PD is determined on the basis of the assessment of a counterparty by reference to the relationship between the rating and PD. LGD represents an estimate of the loss if default occurs at a given time. It is usually expressed as a percentage of the EAD. It takes into account parameters such as historical loss and/or recovery rates as well as the collateral value which is discounted to the present value determining the amount of the expected shortfall.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Interest income

Interest income is recognised on a time-proportion basis using the effective method.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. Summary of significant accounting policies (continued)

Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and approved by the Company's Directors.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3. Financial risk management objectives and policies

Financial risk factors
The Company is exposed to credit risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Credit risk related to financial instruments and cash deposits: Cash balances are held with recognised financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020 €	2019 €
Loans to parent	260.493	290.544
Refundable tax	-	247.358
Cash at bank	3.905	6.091
	264.398	543.993

The most significant exposure of the Company to credit risk is represented by the carrying amount of the loan receivable to parent at the reporting date. The loan has been partially repaid during the years. Management has assessed that the loan receivable is recoverable.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

3. Financial risk management objectives and policies (continued)

3.2 Capital risk management
Capital includes equity shares and share premium.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, in order to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company's overall objectives, policies and processes remain unchanged from last year.

Fair values

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

4. Critical accounting estimates, judgments and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which had the most significant effect on the amounts recognised in the financial statements:

- Income taxes

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Impairment of investments in subsidiaries

  The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated recoverable amount (being the higher of value in use and fair value less costs to sell) would be compared to their carrying amounts to determine if a write-down is necessary.

- Impairment of financial assets

  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

5. Operating loss

	2020 €	2019 €
Directors fees	-	-
Auditors' remuneration for the statutory audit of annual accounts	7.259	7.259
Auditors' remuneration for tax advice	1.562	1.994
Professional fees	28.143	10.926
Total expenses	36.964	20.179

6. Finance costs

	2020 €	2019 €
Bank charges	(987)	(1.009)
Finance costs	(987)	(1.009)

7. Tax

	2020 €	2019 €
Corporation tax- current year	-	-
Corporation tax- prior years	260.233	-

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 March 2020, the balance of tax losses which is available for offset against future taxable profits amounts to €79.588 (2019: €47.755) for which no deferred tax asset is recognised in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

8. Investment in subsidiary

	2020	2019
	€	€
Balance at 1 April	1.750.000	1.750.000
Additions	2.500.000	-
Balance at 31 March	4.250.000	1.750.000

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2020 Holding %	2019 Holding %	2020 **€**	2019 €
Reddy Pharma Italy Italia S.p.A	Italy	Sale of pharmaceutical products	100	100	4.250.000	1.750.000
					4.250.000	1.750.000

Reddy Pharma was incorporated on 13 October 2006 with a share capital of €120.000. On 19 July 2007, a further equity contribution was made to the investment for €1.000.000. Additional equity contributions were made for a total amount of €6.925.000 during the year ended 31 March 2009, €2.550.000 during the year ended 31 March 2010, €3.520.000 during the year ended 31 March 2011 and €1.700.000 during the year ended 31 March 2012.

The investment in Reddy Pharma has been impaired by €1.013.831 at 31 March 2009, €195.169 at 31 March 2010, €3.705.000 during the year 31 March 2012.

During the year ended 31 March 2013, total share capital contributions of €1.000.000 were made to Reddy Pharma. The contributions were made on 17 July 2012. The investment in Reddy Pharma has been impaired by €8.146.859 which represented the difference between the carrying amount of the investment and the net assets value of Reddy Pharma as at 31 March 2013, accumulating the impairment of Reddy Pharma to €15.089.652.

During the year ended 31 March 2014, the investment has been fully impaired resulting to an additional impairment of €1.725.348.

During the year ended 31 March 2017, total share capital contributions of €450.000 were made to Reddy Pharma. Management had assessed that due to the fact that the investment in Reddy Pharma continued to be loss making indicated that the investment was impaired. As a result, it had recognised full impairment of €450.000.

During the year ended 31 March 2018, the Company made an additional capital contribution amounting to €1.750.000 to Reddy Pharma.

During the year ended 31 March 2020, the Company made an additional capital contribution amounting to €2.500.000 to Reddy Pharma.

As at 31 March 2020, the Company assessed whether there is an indication of impairment and concluded that there was none.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

9. Refundable tax

	2020	2019
	€	€
Refundable tax	-	247.358
	-	247.358

The Company has obtained tax clearance from the Cyprus Inland Revenue department concerning tax years up to 2014 and a tax liability resulted for the amount of €260.233. The refundable tax amount of €247.358 was netted off against this liability creating a balance of €12.875, which was paid directly from the Company's bank account during the year.

10. Cash and cash equivalents

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2020	2019
	€	€
Cash at bank and in hand	3.905	6.091
	3.905	6.091

During the year, the bank account held with Bank of Cyprus has been closed.

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

11. Share capital

	2020 Number of shares	2020 €	2019 Number of shares	2019 €
Authorised				
Ordinary shares of €1,71 each	50.000	85.500	50.000	85.500
		€		€
Issued and fully paid				
Balance at 1 April	16.033	27.416	16.033	27.416
New shares	134	230	-	-
Balance at 31 March	16.167	27.646	16.033	27.416

On 23 May 2019, Dr. Reddy's Laboratories has subscribed for 134 ordinary shares of nominal value €1,71 in the Company, at a total consideration of €2.512.500 with share premium of €18.748,29 per share.

12. Trade and other payables

	2020	2019
	€	€
Accruals	12.422	8.346
	12.422	8.346

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

13. Related party transactions

The Company is controlled by Dr Reddy's Laboratories SA, incorporated in Switzerland, which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

13.1 Loans to parent

		2020	2019
	Terms	€	€
Dr Reddy's Laboratories SA	Principal	260.000	290.000
	Interest	493	544
		260.493	290.544

The unsecured loan bears interest of 0.75% per annum (2019: 0,75% per annum) and has no specified repayment date. During the year, interest income of €2.013 (2019: €2.316) was credited in the Statement of Comprehensive Income.

14. Contingent liability

The Company had no contingent liabilities as at 31 March 2020 and 31 March 2019.

15. Commitments

The Company had no capital or other commitments as at 31 March 2020 and 31 March 2019.

16. Events after the reporting period

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID 19 outbreak to be a pandemic in recognition of its rapid spread across the globe. This caused massive disruptions across multiple industries/sectors. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The impact of such disruptions if continued, will impact the Company's and the Group's future operating results. However, the related financial impact and duration cannot be reasonably estimated at this time. The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 March 2020.

On 6 April 2020, Dr. Reddy's Laboratories resolved to subscribe for 80 ordinary shares of nominal value €1,71 in the Company, at a total consideration of €1.500.000 with share premium of €18.748,29 per share.

On 7 April 2020, the Company resolved for an additional capital contribution amounting to €1.500.000 to its subsidiary Reddy Pharma.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditor's Report on pages 2 to 3

Independent auditor's report on the financial statements of ***Dr. Reddy's Laboratories LLC*** for 2019

February 2020

Translation of the original Russian version

Independent auditor's report on the financial statements of Dr. Reddy's Laboratories LLC

Translation of the original Russian version

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Independent auditor's report

Translation of the original Russian version

To the Participants of
Dr. Reddy's Laboratories LLC

Opinion

We have audited the financial statements of Dr. Reddy's Laboratories LLC (the Company), which comprise the balance sheet as at 31 December 2019, statement of income for 2019 and appendices thereto.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for 2019 in accordance with the rules on preparation of financial statements established in the Russian Federation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 19 *Related parties* in the explanatory notes to the balance sheet and statement of income, which disclose a significant concentration of the Company's transactions with related parties.

Translation of the original Russian version

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the rules on preparation of financial statements established in the Russian Federation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I.Y. ANANYEV
Partner
Ernst & Young LLC

27 February 2020

Details of the audited entity

Name: Dr. Reddy's Laboratories LLC
Record made in the State Register of Legal Entities on 5 April 2003, State Registration Number 1037707013838.
Address: Russia 115035, Moscow, Ovchinnikovskaya naberezhnaya, 20, building 1.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

TRANSLATION OF ORIGINAL RUSSIAN VERSION

Appendix №1 to Order No. 66n of the Ministry of Finance of the Russian Federation dated July 02, 2010 (as amended by Orders of the Ministry of Finance of the Russian dated 05.10.2011 № 124n, dated 05.04.2015 dated 06.03.2018 № 41n, dated 19.04.2019 #

Balance sheet

at Декабрь 31, 2019

	CODES
Form (OKUD)	0710001
Date (day, month, year)	31.12.19
OKPO	14196751
TIN	7707321327
OKVED 2	46.18.1
OKOPF / OKFS	1 23 00 | 23
OKEI	384

Organization: *Dr. Reddy's Laboratories LLC*
Taxpayer identification number

Type of economic activity: *The activities of agents specializing in the wholesale of pharmaceutical products used for medical purposes, perfumes and cosmetics,including soap, and cleaning products*
Organizational-legal form/ form of ownership: *Limited Liability Company/Private*
Unit of measure: *RUR thousand*
Location (address): *115035, Moscow, Ovchinnikovskaya nab,d.20,b.1*

Financial statements subject to obligitary audit [X] YES [ ] NO

Name of the audit organization / surname, name, patronymic (if any) of the individual auditor: *Ernst and Young LLC*
Taxpayer identification number of the auditing organization / surname, name, patronymic (if any) of the individual auditor
Primary State Registration Number of audit organization / individual auditor

TIN	7709383532
OGRN / OGRNIP	1027739707203

Note	Indicator	Code	At December 31, 2019	At December 31, 2018	At December 31, 2017
	ASSETS				
	I. NON-OPERATIONAL ASSETS				
0	Intangible assets	1110	99 819	211 434	151 838
0	Research and development results	1120	--------	--------	--------
0	Intangible exploration assets	1130	--------	--------	--------
0	Tangible exploration assets	1140	--------	--------	--------
0	Fixed assets	1150	271 641	275 667	301 893
0	Income-bearing investments in tangible assets	1160	--------	--------	--------
0	Financial investments	1170	77 938	33 400	31 750
0	Deferred tax assets	1180	295 066	338 701	325 916
0	Other non-current assets	1190	--------	--------	--------
	TOTAL for Section I	1100	744 464	859 202	811 397
	II. OPERATIONAL ASSETS				
0	Inventory	1210	4 230 781	3 403 043	2 151 545
0	VAT on acquired assets	1220	155 042	12 930	--------
0	Accounts receivable	1230	8 351 490	8 159 219	8 117 470
	Accounts receivable short-term	1231	8 277 886	8 159 219	8 117 470
	Accounts receivable long-term	1232	73 604	--------	--------
0	Financial investments (excluding for cash equivalents)	1240	--------	--------	--------
0	Cash and cash equivalents	1250	96 132	104 254	62 005
0	Other current assets	1260	42 053	41 482	40 067
	TOTAL for Section II	1200	12 875 498	11 720 928	10 371 087
	BALANCE	1600	13 619 962	12 580 130	11 182 484

Note	Indicator	Code	At December 31, 2019	At December 31, 2018	At December 31, 2017
	CAPITAL AND LIABILITIES				
	III. CAPITAL AND RESERVES				
0	Charter capital (pooled capital, charter fund, partners' contributions)	1310	696 295	696 295	696 295
0	Treasury shares	1320	--------	--------	--------
0	Revaluation of non-current assets	1340	--------	--------	--------
0	Additional capital (without revaluation)	1350	--------	--------	--------
0	Reserve capital	1360	--------	--------	--------
0	Retained earnings (loss)	1370	1 891 668	1 396 428	1 216 660
	TOTAL for Section III	1300	2 587 963	2 092 723	1 912 955
	IV. LONG-TERM LIABILITIES				
0	Loans and borrowings	1410	--------	--------	--------
0	Deferred tax liabilities	1420	--------	--------	--------
0	Provisions	1430	--------	--------	--------
0	Other long-term liabilities	1450	--------	--------	--------
	TOTAL for Section IV	1400	--------	--------	--------
	V. SHORT-TERM LIABILITIES				
0	Loans and borrowings	1510	1 315 819	1 473 924	655 206
0	Accounts payable	1520	9 471 544	8 790 478	8 449 977
0	Deferred income	1530	--------	--------	--------
0	Provisions	1540	216 515	200 621	152 524
0	Other short-term liabilities	1550	28 121	22 384	11 822
	TOTAL for Section V	1500	11 031 999	10 487 407	9 269 529
	BALANCE	1700	13 619 962	12 580 130	11 182 484

Chief Executive _____ (signature) **Sovetkin D.V.** (printed name)

ВЕПЕЦКАЯ Н. Н. ПО ДОВЕРЕННОСТИ Б/Н ОТ 22.04.2019

Date 26 February , 2020

(as amended by Orders of the Ministry of Finance of the Russian of dated 06.04.2015 № 57n, dated 06.03.2018 № 41n, dated 19.04.2019 № 61n)

Statement of income

for year 2019

	CODES
Form (OKUD)	0710002
Date (day, month, year)	31.12.19
OKPO	14196751
TIN	7707321227
OKVED 2	46.18.1
OKOPF/OKFS	1 23 00 / 23
OKEI	384

Organization *Dr. Reddy's Laboratories LLC*

Taxpayer identification number

Type of economic activity *The activities of agents specializing in the wholesale of pharmaceutical products used for medical purposes, perfumes and cosmetics, including soap, and cleaning products*

Organizational-legal form/ form of ownership *Limited Liability Company/Private*

Unit of measure: *RUR thousand*

Notes	Indicator	Code	For 2019	For 2018
0	Revenue	2110	17 743 473	16 079 925
0	Cost of sales	2120	(15 128 671)	(14 123 960)
0	Gross profit (loss)	2100	2 614 802	1 955 965
0	Selling expenses	2210	(1 526 309)	(1 412 966)
0	Administrative expenses	2220	(136 365)	(106 062)
0	Profit (loss) from operations	2200	952 128	436 937
0	Income from participation in other organizations	2310	---	---
0	Interest receivable	2320	11 370	4 928
0	Interest payable	2330	(120 070)	(136 296)
0	Other income	2340	33 812	30 077
0	Other expenses	2350	(237 088)	(85 817)
	Profit (loss) before taxation	2300	640 152	249 829
0	Current profit tax	2410	(101 277)	(82 763)
0	incl. Permanent tax liabilities (assets)	2421	16 883	20 012
0	Deferred tax liabilities change	2430	---	---
0	Deferred tax assets change	2450	(43 635)	12 785
0	Other	2460	---	(83)
	Net profit (loss)	2400	495 240	179 768
0	Result from the revaluation of non-current assets which is not included in net profit (loss) for the period	2510	---	---
0	Result from other operations which is not included in net profit (loss) for the period	2520	---	---
0	Comprehensive financial result for the period	2500	495 240	179 768
	FOR REFERENCE			
0	Basic earnings (loss) per share	2900	---	---
0	Diluted earnings (loss) per share	2910	---	---

Chief Executive (signature) **Sovetkin D.V.** (printed name)

ГЕПЕЙКАЙ Н. И. ПО ДОВЕРЕННОСТИ Б/Н ОТ 27.04.2019

Date 26 February , 2020

TRANSLATION OF ORIGINAL RUSSIAN VERSION

Appendix №2 to Order No. 66n of the Ministry of Finance of the Russian Federation dated July 02, 2010 (as amended by Orders of the Ministry of Finance of the Russian dated 05.10.2011 № 124n, dated 06.04.2015 № 57n, dated 06.03.2018 № 41n, dated 19.04.2019 № 61n)

Statement of changes in capital

for year 2019

	CODES
Form (OKUD)	0710004
Date (day, month, year)	31.12.19
OKPO	71196751
TIN	7707321227
OKVED 2	46.18.1
OKOPF/OKFS	1 23 00 | 23
OKEI	384

Organization: Dr. Reddy's Laboratories LLC

Taxpayer identification number:

Type of activity: The activities of agents specializing in the wholesale of pharmaceutical products used for medical purposes, perfumes and cosmetics,including soap, and cleaning products

Organizational-legal form/ form of ownership: Limited Liability Company/Private

Unit of measure: RUR thousand

I. Change in capital

Indicator	Code	Charter capital	Treasury shares	Additional capital	Reserve capital	Retained earnings (loss)	Total
Capital at December 31, 2017	3100	696 295	-	-	-	1 216 660	1 912 955
For 2018							
Increase in Capital - total:	3210	-	-	-	-	179 768	179 768
incl. net profit	3211	X	X	X	X	179 768	179 768
income from non-current assets revaluation	3212	X	X	-	X	-	-
income which directly increases capital	3213	X	X	-	X	-	-
additional issue of shares	3214	-	-	-	X	X	-
increase in the par value of shares	3215	-	-	-	X	-	X
reorganization of the legal entity	3216	-	-	-	-	-	-
Decrease in Capital - total:	3220	-	-	-	-	-	-
incl. net losses	3221	X	X	X	X	-	-
losses from non-current assets revaluation	3222	X	X	-	X	-	-
expenses which directly reduce	3223	X	X	-	X	-	-
decrease in the par value of shares	3224	-	-	-	X	-	-
decrease in the number of shares	3225	-	-	-	X	-	-
reorganization of the legal entity	3226	-	-	-	-	-	-
dividends	3227	X	X	X	X	-	-
Additional capital change	3230	X	X	-	-	-	-
Reserve capital change	3240	X	X	X	-	-	X
Capital at December 31, 2018	3200	696 295	-	-	-	1 396 428	2 092 723
For 2019							
Increase in Capital - total:	3310	-	-	-	-	495 240	495 240
incl. net profit	3311	X	X	X	X	495 240	495 240
income from non-current assets revaluation	3312	X	X	-	X	-	-
income which directly increases capital	3313	X	X	-	X	-	-
additional issue of shares	3314	-	-	-	X	X	-
increase in the par value of shares	3315	-	-	-	X	-	X
reorganization of the legal entity	3216	-	-	-	-	-	-
Decrease in Capital - total:	3320	-	-	-	-	-	-
incl. net losses	3321	X	X	X	X	-	-
losses from non-current assets revaluation	3322	X	X	-	X	-	-
expenses which directly reduce	3323	X	X	-	X	-	-
decrease in the par value of shares	3324	-	-	-	X	-	-
decrease in the number of shares	3325	-	-	-	X	-	-
reorganization of the legal entity	3326	-	-	-	-	-	-
dividends	3327	X	X	X	X	-	-
Additional capital change	3330	X	X	-	-	-	-
Reserve capital change	3340	X	X	X	-	-	X
Capital at December 31, 2019	3300	696 295	-	-	-	1 891 668	2 587 963

II. Capital adjustment due to accounting policy changes and prior year errors correction

Indicator	Code	At December 31, 2017	Capital change for 2018		At December 31, 2018
			due to net profit/(loss)	due to other factors	
Capital - total	3400	-------	-------	-------	-------
before adjustment					
Adjustment incl.	3410	-------	-------	-------	-------
Accounting policy change	3420	-------	-------	-------	-------
errors correction	3500	-------	-------	-------	-------
after adjustment					
incl.:					
Retained earnings	3401	-------	-------	-------	-------
before adjustment					
Adjustment incl.	3411	-------	-------	-------	-------
Accounting policy change	3421	-------	-------	-------	-------
errors correction	3501	-------	-------	-------	-------
after adjustment					
other items of capital for which adjustments have been made: (by items)	3402	-------	-------	-------	-------
before adjustment					
Adjustment incl.	3412	-------	-------	-------	-------
Accounting policy change	3422	-------	-------	-------	-------
errors correction	3502	-------	-------	-------	-------
after adjustment					

III. Net assets

Indicator	Code	At December 31, 2019	At December 31, 2018	At December 31, 2017
Net assets	3600	*2 587 963*	*2 092 723*	*1 912 955*

Chief Executive _____ (signature) **Sovetkin D.V.** (printed name)

РЕПЕЦКАЯ Н.И.
ПО ДОВЕРЕННОСТИ Б/Н
ОТ 22.04.2019

Date 2 6 February , 2 0 2 0

Statement of cash flows

for year 2019

	CODES
Form (OKUD)	0710005
Date (day, month, year)	31.12.19
OKPO	14196751
TIN	7707321227
OKVED 2	46.18.1
OKOPF/ OKFS	1 23 00 | 23
OKEI	384

Organization *Dr. Reddy's Laboratories LLC*

Taxpayer identification number

Type of activity *used for medical purposes, perfumes and cosmetics,including soap, and cleaning products*

Organizational-legal form / form of ownership *Limited Liability Company/Private*

Unit of measure: *RUR thousand*

Indicator	Code	For 2019	For 2018
Cash flows from operating activities			
Cash receipts from - total	4110	18 010 551	16 401 051
including:			
the sale of products, goods, work and services	4111	17 532 755	15 362 527
rental payments, license payments, royalties, comission and other similar payments	4112	--------	--------
the resale of financial investments	4113	--------	--------
bonuses received for fulfilling the terms of agreement	4114	29 638	955 984
agency contract payment	4115	404 689	59 514
other taxes and fees	4116	7 766	--------
other receipts	4119	35 703	23 026
Cash disbursements for - total	4120	(17 788 780)	(16 895 276)
including:			
suppliers (contractors) for raw materials, other materials, work and services	4121	(15 252 704)	(14 526 572)
in connection with payment to employees	4122	(1 773 629)	(1 671 095)
interest on debt obligations	4123	(202 175)	(43 578)
corporate income tax	4124	(99 556)	(83 798)
other taxes and fees	4125	--------	(67 617)
distributor award	4126	(372 615)	(408 199)
issued to the staff	4127	(72 487)	(80 435)
agency contract payment	4128	--------	--------
other payments	4129	(15 614)	(13 982)
Net cash flows from operating activities	4100	221 771	(494 225)
Cash flows from investing activities			
Cash receipts from - total	4210	51 545	1 769
including:		--------	--------
the sale of non-current assets (except for financial investments)	4211	51 545	1 769
the sales of shares in other organizations (participating	4212	--------	--------
repayment of loans granted, from sale of debt securities (or rights of monetary claims from other parties)	4213	--------	--------
dividends received, interest on debt-based financial investments and similar receipts from participating interest in other organizations	4214	--------	--------
other receipts	4219	-	--------
Cash disbursements for - total	4220	(205 438)	(191 295)
including:			
purchase, construction, modernisation, reconstruction and preparation for use of non-current assets	4221	(162 944)	(189 645)
the acquisition of shares in other organizations (participating interests)	4222	(42 494)	--------
the acquisition of debt securities (or rights of monetary claims from other parties), the granting of loans to other parties	4223	--------	(1 650)
interest paid on debt securities, included in the cost of investment asset	4224	--------	--------
other payments	4229	--------	--------
Net cash flows from investing activities	4200	(153 893)	(189 526)
Cash flows from financing activities			
Cash proceeds received from - total	4310	3 900 000	2 076 000
including:			
proceed from loans and borrowings	4311	3 900 000	2 076 000
monetary contributions of owners (participants)	4312	--------	--------
issue of shares and increasing of participating interests	4313	--------	--------
issuance of bonds, promissory notes and other debt securities and other	4314	--------	--------
other receipts	4319	--------	--------
Cash disbursements for - total	4320	(3 976 000)	(1 350 000)
including:			--------
to owners (participants) for the repurchase of shares (participating interests) in the organization or their withdrawal from participation	4321	--------	--------
the payment of dividends or other distribution of earnings in favour of owners (participants)	4322	--------	--------
in connection with the settlement (redemption) of promissory notes and other debts sequrities, repayment of credits and loans	4323	(3 976 000)	(1 350 000)
Other payments	4329	--------	--------
Net cash flows from financing activities	4300	(76 000)	726 000
Net cash flows for the reporting period	4400	(8 122)	42 249
Balance of cash and cash equivalents as of the beginning of the reporting period	4450	104 254	62 005
Balance of cash and cash equivalents as of the end of the reporting period	4500	96 132	104 254
Effect of changes in the exchange rate of foreign currency to the ruble	4490	--------	--------

Chief Executive (signature) **Sovetkin D.V.** (printed name)

Date 26 February 2020

РЕПЕЦКАЯ К.И. ПО ДОВЕРЕННОСТИ Б/Н ОТ 22.04.2019

EXPLANATORY NOTES TO THE BALANCE SHEET AND THE STATEMENT OF INCOME (IN TABULAR FORM)

For year 2019
Organization Dr. Reddy's Laboratories LLC
Unit of measure: RUR thousand

1. Intangible assets and expenses for research, development and technological work (R&D expenses)

1.1. Existence and movement of intangible assets

Indicator	Code	Period	At the beginning of the year		Changes for the period							At the end of the period	
						Disposals				Revaluation			
			Cost	Accumulated amortization and impairment losses	Additions	Cost	Accumulated depreciation and impairment losses	Amortization charge	Impairment loss	Cost	Accumulated amortization	Cost	Accumulated amortization and impairment losses
Intangible assets - total	5100	For 2019	322 652	(119 543)	39 775	(86 800)	65 413	(63 160)	(64 246)	—	—	275 627	(181 536)
	5110	For 2018	224 429	(72 591)	98 223	—	—	(46 952)	—	—	—	322 652	(119 543)
including: (type of intangible assets)													
Production technology(know-how)	5101	For 2019	175 637	(26 060)	—	—	—	(30 238)	(64 246)	—	—	175 637	(120 544)
Production technology(know-how)	5111	For 2018	95 637	(9 154)	80 000	—	—	(16 906)	—	—	—	175 637	(26 060)
Other IA	5102	For 2019	128 792	(63 437)	18 223	—	—	(30 046)	—	—	—	147 015	(93 483)
Other IA	5112	For 2018	128 792	(63 437)	18 223	—	—	(30 046)	—	—	—	147 015	(93 483)
-	5103	For 2019	—	—	—	—	—	—	—	—	—	—	—
-	5113	For 2018	—	—	—	—	—	—	—	—	—	—	—
-		For 2019	—	—	—	—	—	—	—	—	—	—	—
-		For 2018	—	—	—	—	—	—	—	—	—	—	—

1.2. Cost of internally generated intangible assets

Indicator	Code	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total	5120	—	—	—
including: (type of intangible assets)	5121			
-	5122	—	—	—
-	5123	—	—	—
-		—	—	—
-		—	—	—
-		—	—	—

1.3. Intangible assets with fully amortised cost

Indicator	Code	At 31 December 2019	At 31 December 2018	At 31 December 2017
Total	5120	23 292	42 199	—
including: (type of intangible assets)	5121	—	—	—
exclusive rights to advertising products	5122	23 292	42 199	—
-	5123	—	—	—
-		—	—	—
-		—	—	—
-		—	—	—

1.4. Existence and movement of R&D results

Indicator	Code	Period	At the beginning of the year		Changes for the period				At the end of the period	
			Cost	Portion of value charged to expenses	Additions	Disposals: Cost	Disposals: Portion of value charged to expenses	Portion of value charged to expenses for the period	Cost	Portion of value charged to expenses
R&D - total	5140	For 2019								
	5150	For 2018								
including: (item, group of items)										
-	5141	For 2019								
-	5151	For 2018								
-	5142	For 2019								
-	5152	For 2018								
	5143	For 2019								
	5153	For 2018								
	5144	For 2019								
	5154	For 2018								

1.5. Unfinished and unregistered R&D and incomplete transactions involving the acquisition of intangible assets

Indicator	Code	Period	At the beginning of the year	Changes for the period			At the end of the period
				Costs for the period	Costs expensed as unsuccessful	Recognized as intangible assets or	
Costs of R&D in progress - total	5160	For 2019					
	5170	For 2018					
including: (item, group of items)							
-	5161	For 2019					
-	5171	For 2018					
-	5162	For 2019					
-	5172	For 2018					
	5163	For 2019					
	5173	For 2018					
	5164	For 2019					
	5174	For 2018					
Outstanding transactions to purchase intangible assets - total	5190	For 2019	*8 325*	*37 178*		*(39 775)*	*5 728*
	5190	For 2018		*106 548*		*(98 223)*	*8 325*
including:							
exclusive rights to advertising products	5191	For 2019	*8 325*	*37 178*		*(39 775)*	*5 728*
exclusive rights to advertising products	5191	For 2018		*26 548*		*(18 223)*	*8 325*
Production technology(know-how)	5192	For 2019					
Production technology(know-how)	5192	For 2018		*80 000*		*(80 000)*	
	5193	For 2019					
	5193	For 2018					
	5194	For 2019					
	5194	For 2018					

2. Fixed assets

2.1. Existence and movement of fixed assets

Indicator	Code	Period	At the beginning of the year		Changes for the period								At the end of the period	
			Cost	Accumulated depreciation	Additions	Disposals		Depreciation charge	Revaluation		Transfers between categories (types)		Cost	Accumulated depreciation
						Cost	Accumulated depreciation		Cost	Accumulated depreciation	Cost	Accumulated depreciation		
Fixed assets (excluding of income-bearing investments in tangible assets) - total	5200	for 20 19	530 904	(255 237)	124 567	(96 807)	93 893	(125 679)	------	------	------	------	558 664	(287 023)
	5210	for 20 18	444 956	(143 063)	96 461	(10 513)	6 302	(118 476)	------	------	------	------	530 904	(255 237)
including: (group of fixed assets)	5201	for 20 19	24 905	(20 436)	16 440	(2 437)	2 437	(4 492)	------	------	------	------	38 908	(22 491)
Machinery and equipment	5211	for 20 18	22 760	(16 167)	2 498	(353)	176	(4 445)	------	------	------	------	24 905	(20 436)
	5202	for 20 19	478 991	(218 256)	107 287	(94 370)	91 456	(115 932)	------	------	------	------	491 908	(242 732)
Vehicles	5212	for 20 18	395 443	(115 923)	93 708	(10 160)	6 126	(108 459)	------	------	------	------	478 991	(218 256)
	5203	for 20 19	27 008	(16 545)	840	------	------	(5 255)	------	------	------	------	27 848	(21 800)
Furniture	5213	for 20 18	26 753	(10 973)	255	------	------	(5 572)	------	------	------	------	27 008	(16 545)
.....	5204	for 20 19	------	------	------	------	------	------	------	------	------	------	------	------
	5214	for 20 18	------	------	------	------	------	------	------	------	------	------	------	------
.....	5205	for 20 19	------	------	------	------	------	------	------	------	------	------	------	------
	5215	for 20 18	------	------	------	------	------	------	------	------	------	------	------	------
.....	5206	for 20 19	------	------	------	------	------	------	------	------	------	------	------	------
	5216	for 20 18	------	------	------	------	------	------	------	------	------	------	------	------
.....	5207	for 20 19	------	------	------	------	------	------	------	------	------	------	------	------
	5217	for 20 18	------	------	------	------	------	------	------	------	------	------	------	------
Recorded as income-bearing investments in tangible assets - total	5220	for 20 19	------	------	------	------	------	------	------	------	------	------	------	------
	5230	for 20 18	------	------	------	------	------	------	------	------	------	------	------	------
including: (group of fixed assets)	5221	for 20 19	------	------	------	------	------	------	------	------	------	------	------	------
.....	5231	for 20 18	------	------	------	------	------	------	------	------	------	------	------	------
.....	5222	for 20 19	------	------	------	------	------	------	------	------	------	------	------	------
	5232	for 20 18	------	------	------	------	------	------	------	------	------	------	------	------
.....	5223	for 20 19	------	------	------	------	------	------	------	------	------	------	------	------
	5233	for 20 18	------	------	------	------	------	------	------	------	------	------	------	------
.....	5224	for 20 19	------	------	------	------	------	------	------	------	------	------	------	------
	5234	for 20 18	------	------	------	------	------	------	------	------	------	------	------	------

2.2. Ongoing capital expenditure

Indicator	Code	Period	At the beginning of the year	Changes for the period			At the end of the period
				Costs for the period	Expensed	Recognized as fixed assets or capitalized	
Construction in progress and ongoing acquisition, modernization, etc., of fixed assets - total	5240	for 2019	------	124 567	------	(124 567)	------
	5250	for 2018	------	96 461	------	(96 461)	------
including: (group of fixed assets)	5241	for 2019	------	16 440	------	(16 440)	------
Machinery and equipment	5251	for 2018	------	2 498	------	(2 498)	------
	5242	for 2019	------	107 287	------	(107 287)	------
Vehicles	5252	for 2018	------	93 708	------	(93 708)	------
	5243	for 2019	------	840	------	(840)	------
Furniture	5253	for 2018	------	255	------	(255)	------
.....	5244	for 2019	------	------	------	------	------
	5254	for 2018	------	------	------	------	------

2.3. Change in the value of fixed assets as a result of additional construction, enhancement, reconstruction

Indicator	Code	For 20 19	For 20 18
Increase in the value of fixed assets as a result of additional construction, enhancement, reconstruction - total	5260		
including: (fixed asset)	5261		
	5262		
	5263		
	5264		
Decrease in the value of fixed assets as a result of partial liquidation - total	5270		
including: (fixed asset)	5271		
	5272		
	5273		
	5274		

2.4. Other uses of fixed assets

Indicator	Code	At 31 December 20 19	At 31 December 20 18	At 31 December 20 17
Leased-out fixed assets recorded on balance sheet	5280			
Leased-out fixed assets recorded off balance sheet	5281			
Leased-in fixed assets recorded on balance sheet	5282			
Leased-in fixed assets recorded off balance sheet	5283	5 577	6 400	10 125
Real estate accepted into operation and actually used, which are in the process of state registration	5284			
Fixed assets in conservation	5285			
Other uses of fixed assets (as collateral, etc.)	5286			

3. Financial investments

3.1. Existence and movement of financial investments

Indicator	Code	Period	At the beginning of the year		Changes for the period							At the end of the period	
			Cost	Accumulated adjustment	Additions	Disposals (settlements)		Interest charged (including to align cost to nominal value)	Current market value (impairment loss)	Transferred from long-term to short-term investments		Cost	Accumulated adjustment
						Cost	Accumulated adjustment			Cost	Accumulated adjustments		
Long-term - total	5301	for 20 19	33 400	———	44 538	———	———	———	———	———	———	77 938	———
	5311	for 20 18	31 750	———	1 650	———	———	———	———	———	———	33 400	———
including: (group, type)													
Loan to DRL LLC	5302	for 20 19	33 400	———	1 700	———	———	———	———	———	———	35 100	———
.....	5312	for 20 18	31 750	———	1 650	———	———	———	———	———	———	33 400	———
Share in DRL LLC's equity	5303	for 20 19	———	———	42 838	———	———	———	———	———	———	42 838	———
.....	5313	for 20 18	———	———	———	———	———	———	———	———	———	———	———
.....		for 20 19	———	———	———	———	———	———	———	———	———	———	———
.....		for 20 18	———	———	———	———	———	———	———	———	———	———	———
.....		for 20 19	———	———	———	———	———	———	———	———	———	———	———
.....		for 20 18	———	———	———	———	———	———	———	———	———	———	———
Short-term - total	5305	for 20 19	———	———	———	———	———	———	———	———	———	———	———
	5315	for 20 18	———	———	———	———	———	———	———	———	———	———	———
including: (group, type)													
.....	5306	for 20 19	———	———	———	———	———	———	———	———	———	———	———
.....	5316	for 20 18	———	———	———	———	———	———	———	———	———	———	———
.....	5307	for 20 19	———	———	———	———	———	———	———	———	———	———	———
.....	5317	for 20 18	———	———	———	———	———	———	———	———	———	———	———
.....		for 20 19	———	———	———	———	———	———	———	———	———	———	———
.....		for 20 18	———	———	———	———	———	———	———	———	———	———	———
.....		for 20 19	———	———	———	———	———	———	———	———	———	———	———
.....		for 20 18	———	———	———	———	———	———	———	———	———	———	———
Financial investments - total	5300	for 20 19	33 400	———	44 538	———	———	———	———	———	———	77 938	———
	5310	for 20 18	31 750	———	1 650	———	———	———	———	———	———	33 400	———

3.2. Other uses of financial investments

Indicator	Code	At 31 December 20 19	At 31 December 20 18	At 31 December 20 17
Financial investments pledged as collateral - total	5320	———	———	———
including: (group, type)				
.....	5321	———	———	———
.....	5322	———	———	———
.....	5323	———	———	———
Financial investments transferred to third parties (except for sale) - total	5325	———	———	———
including: (group, type)				
.....	5326	———	———	———
.....	5327	———	———	———
.....	5328	———	———	———
Other uses of financial investments	5329	———	———	———

4. Inventory

4.1. Existence and movement of inventory

Indicator	Code	Period	At the beginning of the year		Changes for the period						At the end of the period	
			Cost	Provision for impairment	Additions and costs	Disposals		Impairment losses	Transfers between categories (types)		Cost	Provision for impairment
						Cost	Provision for impairment		Cost	Provision for impairment		
Inventory - total	5400	for 20 19	3 846 871	(443 828)	14 321 462	(13 694 736)	112 854	88 458	x	x	4 473 297	(242 516)
	5420	for 20 18	2 315 537	(163 992)	12 922 353	(11 391 019)	33 922	(313 758)	x	x	3 846 871	(443 828)
including: (group, type)												
Goods for resale	5401	for 20 19	3 834 986	(443 828)	13 490 545	(12 865 187)	112 854	88 458	———	———	4 460 344	(242 516)
Goods for resale	5421	for 20 18	2 296 457	(163 992)	12 836 826	(11 298 297)	33 922	(313 758)	———	———	3 834 986	(443 828)
Other stocks and costs	5402	for 20 19	11 885	———	830 617	(829 549)	———	———	———	———	12 953	———
Other stocks and costs	5422	for 20 18	19 080	———	85 527	(92 722)	———	———	———	———	11 885	———
.....	5403	for 20 19	———	———	———	———	———	———	———	———	———	———
.....	5423	for 20 18	———	———	———	———	———	———	———	———	———	———
.....		for 20 19	———	———	———	———	———	———	———	———	———	———
.....		for 20 18	———	———	———	———	———	———	———	———	———	———
.....		for 20 19	———	———	———	———	———	———	———	———	———	———
.....		for 20 18	———	———	———	———	———	———	———	———	———	———

4.2. Pledged inventory

Indicator	Code	At 31 December 20 19	At 31 December 20 18	At 31 December 20 17
Inventory unpaid at the reporting date - total	5440	———	———	———
including: (group, type)				
.....	5441	———	———	———
.....	5442	———	———	———
.....	5443	———	———	———
.....	5444	———	———	———
Inventory pledged as collateral under contract - total	5445	———	———	———
including: (group, type)				
.....	5446	———	———	———
.....	5447	———	———	———
.....	5448	———	———	———
.....	5449	———	———	———

5. Accounts receivable and accounts payable

5.1. Existence and movement of accounts receivable

Indicator	Code	Period	At the beginning of the year		Changes for the period								At the end of the period	
					Additions		Disposals			Increase in provision for doubtful debts	Transferred from long-term to short-term			
			Recorded under contractual terms	Provision for doubtful debts	As a result of business operations (outstanding amount under transaction/ operation)	Interest, fines and other charges due	Settled	Charged to financial result	Provision reversed		Debts recorded under contractual terms	Amount of provision for doubtful debts	Recorded under contractual terms	Provision for doubtful debts
Long-term accounts receivable - total	5501	for 20 19	———	———	———	———	———	———	———	———	73 604	———	73 604	———
	5521	for 20 18	———	———	———	———	———	———	———	———	———	———	———	———
including: (type)														
Other	5502	for 20 19	———	———	———	———	———	———	———	———	48 493	———	48 493	———
———	5522	for 20 18	———	———	———	———	———	———	———	———	———	———	———	———
Interest on the loan agreement	5503	for 20 19	———	———	———	———	———	———	———	———	25 111	———	25 111	———
———	5523	for 20 18	———	———	———	———	———	———	———	———	———	———	———	———
———	5504	for 20 19	———	———	———	———	———	———	———	———	———	———	———	———
———	5524	for 20 18	———	———	———	———	———	———	———	———	———	———	———	———
Short-term accounts receivable - total	5510	for 20 19	8 374 932	(215 713)	8 567 153	———	(8 374 932)	———	50	———	(73 604)	———	8 493 549	(215 663)
	5530	for 20 18	8 333 257	(215 787)	8 374 932	———	(8 333 257)	———	74	———	———	———	8 374 932	(215 713)
including: (type)														
Trade receivable	5511	for 20 19	6 867 452	(215 663)	7 175 719	———	(6 867 452)	———	———	———	———	———	7 175 719	(215 663)
Trade receivable	5531	for 20 18	6 341 818	(215 663)	6 867 452	———	(6 341 818)	———	———	———	———	———	6 867 452	(215 663)
Advances issued	5512	for 20 19	84 787	(50)	55 090	———	(84 787)	———	50	———	———	———	55 090	———
Advances issued	5532	for 20 18	53 586	(124)	84 787	———	(53 586)	———	74	———	———	———	84 787	(50)
Interest on loan agreement	5513	for 20 19	22 367	———	25 111	———	(22 367)	———	———	———	(25 111)	———	———	———
Interest on loan agreement	5533	for 20 18	19 763	———	22 367	———	(19 763)	———	———	———	———	———	22 367	———
Taxes and fees		for 20 19	22 622	———	11 297	———	(22 622)	———	———	———	———	———	11 297	———
Taxes and fees		for 20 18	18 699	———	22 622	———	(18 699)	———	———	———	———	———	22 622	———
Other		for 20 19	81 617	———	49 514	———	(81 617)	———	———	———	(48 493)	———	1 021	———
Other		for 20 18	103 461	———	81 617	———	(103 461)	———	———	———	———	———	81 617	———
Related party receivable		for 20 19	1 296 087	———	1 250 422	———	(1 296 087)	———	———	———	———	———	1 250 422	———
Related party receivable		for 20 18	1 795 930	———	1 296 087	———	(1 795 930)	———	———	———	———	———	1 296 087	———
Total	5500	for 20 19	8 374 932	(215 713)	8 567 153	———	(8 374 932)	———	50	———	X	X	8 567 153	(215 663)
	5520	for 20 18	8 333 257	(215 787)	8 374 932	———	(8 333 257)	———	74	———	X	X	8 374 932	(215 713)

5.2. Overdue accounts receivable

Indicator	Code	At 31 December 20 19		At 31 December 20 18		At 31 December 20 17	
		Recorded under contractual terms	Carrying amount	Recorded under contractual terms	Carrying amount	Recorded under contractual terms	Carrying amount
Total	5540	351 710	136 047	332 248	116 585	879 140	663 477
including: (type)							
———	5541	351 710	136 047	332 248	116 585	879 140	663 477
———	5542	———	———	———	———	———	———
———	5543	———	———	———	———	———	———
———	5544	———	———	———	———	———	———

5.3. Existence and movement of accounts payable

Indicator	Код	Period	Balance at the beginning of the year	Changes for the period					Balance at the end of the period
				Additions		Disposals		Transferred from long-term to short-term debt	
				As a result of business operations (outstanding amounts under transaction operation)	Interest, fines and other charges due	Settled	Charged to financial result		
Long-term accounts payable - total	5551	for 20 19	———	———	———	———	———	———	———
	5571	for 20 18	———	———	———	———	———	———	———
including: (type)									
———	5552	for 20 19	———	———	———	———	———	———	———
———	5572	for 20 18	———	———	———	———	———	———	———
———	5553	for 20 19	———	———	———	———	———	———	———
———	5573	for 20 18	———	———	———	———	———	———	———
———	5554	for 20 19	———	———	———	———	———	———	———
———	5574	for 20 18	———	———	———	———	———	———	———
Short-term accounts payable - total	5560	for 20 19	8 790 478	9 471 544	———	(8 790 478)	———	———	9 471 544
	5580	for 20 18	8 449 977	8 790 478	———	(8 449 977)	———	———	8 790 478
including: (type)									
Trade liability	5561	for 20 19	7 988 598	8 668 784	———	(7 988 598)	———	———	8 668 784
Trade liability	5581	for 20 18	7 270 430	7 988 598	———	(7 270 430)	———	———	7 988 598
Advances received	5562	for 20 19	19	380	———	(19)	———	———	380
Advances received	5582	for 20 18	2 580	19	———	(2 580)	———	———	19
Settlements with buyers for bonuses	5563	for 20 19	797 303	796 574	———	(797 303)	———	———	796 574
Settlements with buyers for bonuses	5583	for 20 18	1 151 913	797 303	———	(1 151 913)	———	———	797 303
Payments of taxes and fees		for 20 19	4 555	5 804	———	(4 555)	———	———	5 804
Payments of taxes and fees		for 20 18	23 276	4 555	———	(23 276)	———	———	4 555
Settlements with accountable persons		for 20 19	3	2	———	(3)	———	———	2
Settlements with accountable persons		for 20 18	22	3	———	(22)	———	———	3
Other		for 20 19	———	———	———	———	———	———	———
Other		for 20 18	1 756	———	———	(1 756)	———	———	———
———		for 20 19	———	———	———	———	———	———	———
———		for 20 18	———	———	———	———	———	———	———
Total	5550	for 20 19	8 790 478	9 471 544	———	(8 790 478)	———	x	9 471 544
	5570	for 20 18	8 449 977	8 790 478	———	(8 449 977)	———	x	8 790 478

5.4. Overdue acounts payable

Indicator	Code	At 31 December 20 19	At 31 December 20 18	At 31 December 20 17
Total	5590	———	———	———
including: (type)				
———	5591	———	———	———
———	5592	———	———	———
———	5593	———	———	———
———	5594	———	———	———
		———	———	———

8. Collateral for liabilities

Indicator	Code	At 31 December 20 19	At 31 December 20 18	At 31 December 20 17
Received - total	5800	-------	-------	-------
including:				
(type)	5801	-------	-------	-------
(type)	5802	-------	-------	-------
(type)	5803	-------	-------	-------
(type)	5804	-------	-------	-------
Provided - total	5810	-------	-------	-------
including:				
(type)	5811	-------	-------	-------
(type)	5812	-------	-------	-------
(type)	5813	-------	-------	-------
(type)	5814	-------	-------	-------

Chief Executive (signature) Sovetkin D. V. (printed name)

ГЕНЕЦКАЯ Н. И.
ПО ДОВЕРЕННОСТИ Б/Н
ОТ 22.04.2019

Date 2 6 February 2 0 2 0

Translation of the original Russian version

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Translation of the original Russian version

Explanatory Notes to the balance sheet and statement of income of Dr. Reddy's Laboratories LLC for the 2019 reporting year

These Explanatory Notes constitute an integral part of the annual financial statements of Dr. Reddy's Laboratories LLC (the "Company") for the 2019 reporting year, prepared in accordance with the applicable legislation of the Russian Federation.

All amounts are presented in thousands of rubles (kRUR). Negative values are shown in parentheses.

1. GENERAL INFORMATION

The Company's legal address is: 115035, Moscow, Ovchinnikovskaya naberezhnaya, 20, bld. 1

The Company engages in the following core activities:

- Wholesale of medicines.

In 2019, the Company had an average of 807 employees.

The composition of the Company's board of directors and executive body is as follows:

Mandatory disclosure		Additional disclosure	
Full name	**Position**	**Total compensation paid**	**Details of compensation paid**
Dmitry Vladislavovich Sovetkin	General Director	22,960	Payroll for the reporting period
		7,095	Accrued payroll taxes and other compulsory payments to budgetary and non-budgetary funds for the reporting period
		1,411	Paid annual leave earned in the reporting period
		106	Income in-kind

Dr. Reddy's Laboratories SA is the beneficial owner of the Company.

These financial statements were prepared on paper and signed by the Company's General Director on 26 February 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Company's accounting records are maintained in accordance with Federal Law No. 402-FZ of 6 December 2011, *Concerning Accounting and the Statute Concerning Accounting and Reporting in the Russian Federation*, approved by Order No. 34n of the Russian Ministry of Finance of 29 July 1998 (as amended on 11 April 2018), as well as applicable Accounting Statements. The Company's financial statements for 2019 were prepared in accordance with the same Law and Accounting Statements

Pursuant to Article 12.1 of Federal Law No. 402-FZ, accounting items are subject to monetary measurement.

Uncertainty of estimation

Discussed below are key assumptions concerning future events and other key sources of estimation uncertainty at the reporting date that create a significant risk that material adjustments to the carrying amounts of assets and liabilities will be required within the next reporting year:

- Provision for doubtful debts
- Allowance for impairment of inventories
- Useful lives of intangible assets

- Provisions for contingencies
- Provision for vacations unused as of the reporting date
- Provision for performance bonuses
- Provision for bonuses (rewards) paid to distributors for reaching target volumes
- Provision for contractual obligations.

Fixed assets

Pursuant to paragraphs 7 and 8 of Accounting Statement 6/01, *Accounting for Fixed Assets*, fixed assets are recognized at historical cost. The historical cost of fixed assets acquired for consideration is the total cost of acquisition, construction or production, net of value added tax and other recoverable taxes (except in instances stipulated by Russian law).

Fixed assets are depreciated using the straight-line method. Fixed assets are not revalued.

Pursuant to paragraph 20 of Accounting Statement 6/01, *Accounting for Fixed Assets*, the useful lives (months) of fixed assets used for depreciation purposes are as follows:

Fixed asset group	Useful life
Small computer equipment	36
Furniture	34-72
Motor vehicles (3.5 liters or less)	48
Motor vehicles (more than 3.5 liters)	84

The historical cost used to record a fixed asset may only be adjusted in the event of additional construction, equipment, renovation, upgrading, partial liquidation or revaluation of fixed assets (paragraph 14 of Accounting Statement 6/01).

Pursuant to paragraph 11 of Accounting Statement 6/01, *Accounting for Fixed Assets*, fixed assets received under contracts providing for non-monetary compensation (settlement) are measured as follows:

- The historical cost of fixed assets received under the contracts providing for non-monetary compensation (settlement) is deemed to be the cost of assets transferred or transferable. The cost of assets transferred or transferable by the Company is based on the price it would normally charge for similar assets under comparable circumstances.
- Where it is impossible to determine the cost of assets transferred or transferable by the company, the cost of fixed assets received by the company under contracts providing for non-monetary compensation (settlement) is based on the price of similar assets under comparable circumstances.

Determination of cost limit for fixed assets recorded in inventories

Fixed assets include equipment, motor vehicles and other items with historical cost exceeding kRUR 40 per unit and useful life of more than 12 months.

Assets that meet criteria for recognition as fixed assets and have a unit cost of kRUR 40 or less are recognized in accounting records and reported in financial statements as inventories.

As of 31 December 2019, the Company leased the following premises:

Facility	Area	Address	Lessor
Office	1360.20 sq. m.	Moscow, Ovchinnikovskaya naberezhnaya, 20, bld. 1, 6th floor	Firm Gran LLC
Office	518.9 sq. m.	Moscow, Ovchinnikovskaya naberezhnaya, 20, bld. 1, 8th floor	Firm Gran LLC

Facility	Area	Address	Lessor
Pharmaceuticals warehouse	7,000 Euro-pallets; since 1 April 2019 - 8,300 Euro-pallet spaces; since 1 December 2019 - 10,000 Euro-pallet spaces	Moscow Region, Istra District, Davydkovo village, Dachnaya street, bld. 2	SANTENS SERVICE JSC

Since lessors have not provided the estimated value of the leased premises, this information is not recorded off balance sheet in the financial statements of Dr. Reddy's Laboratories LLC.

In 2019, lease expenses totaled amounted to kRUR 182,677 (2018: kRUR 185,550).

Intangible assets

Pursuant to paragraphs 6 and 7 of Accounting Statement 14/2007, *Accounting for Intangible Assets*, intangible assets are recognized at historical cost. The historical cost of intangible assets is deemed to be the amount denominated in cash or other form of consideration or the amount of a liability paid or payable by the Company at acquisition, creation of the asset and establishing conditions for use of the asset for planned purposes.

Pursuant to paragraph 28 of Accounting Statement 14/2007, *Accounting for Intangible Assets*, intangible assets with a finite useful life are amortized using the straight-line method.

Pursuant to paragraph 23 of Accounting Statement 14/2007, intangible assets with an indefinite useful life are not amortized.

In the reporting period, the Company did not identify events and circumstances to support re-assessment of the useful lives and amortization methods applied to intangible assets.

It is impractical to reasonably assess a useful life of an intangible asset with an indefinite useful life.

Intangible asset amortization charges are reflected in the reporting period to which they relate, regardless of the financial result achieved by the Company in that period.

The useful lives applied for the purpose of amortizing intangible assets are as follows (in months):

Intangible assets	Useful life
Manufacturing technology (know-how)	44-84
Intangible assets	**Useful life**
Other intangible assets	24 (unless otherwise stipulated in the agreement)

The historical cost of an intangible asset entered in account records may be altered as a result of revaluation or impairment of the intangible asset.

Intangible assets are tested for impairment on an annual basis in accordance with International Accounting Reporting Standards (paragraph 22 of Accounting Statement 14/2007).

Pursuant to paragraph 14 of Accounting Statement 14/2007, *Accounting for Intangible Assets*, intangible assets received under the contracts providing for non-monetary compensation (settlement) are valued as follows: the historical cost of such intangible assets is deemed to be the cost of assets transferred or transferable. Where it is impossible to determine the cost of assets transferred or transferable under the above contracts, the cost of intangible assets received by the Company is based on the price the Company normally pays for similar intangible assets under comparable circumstances.

Inventories

Pursuant to paragraph 2 of Accounting Statement 5/01, *Accounting for Inventories*, the following assets are to be included in inventories:

- Assets used as raw materials, supplies, etc., in the performance of work, provision of services
- Assets held for sale

- Assets used for internal administrative purposes.

Goods are part of inventories acquired or received from other legal entities or individuals and held for sale.

Pursuant to paragraphs 5 and 6 of Accounting Statement 5/01, *Accounting for Inventories*, inventories are recognized at their actual cost. The actual cost of inventories received for consideration is deemed to be the total amount of actual costs incurred by the entity in connection with their acquisition, net of value added tax and other recoverable taxes (except in instances stipulated by Russian law).

The actual cost of goods purchased for resale includes the following:

- Contractual amounts paid to the supplier
- Customs duties and charges
- Transportation and procurement costs.

The purchase cost of goods (cost) is calculated by the accounting department based on primary documents in the spreadsheet "Cost calculations for goods received". The goods at the warehouse are accounted for in batches.

Inventories issued into production or otherwise disposed of are measured at actual value of the item within the batch.

Pursuant to paragraph 24 of Accounting Statement 5/01, *Accounting for Inventories*, at the end of the reporting year, inventories are carried at the value determined on the basis of the inventory measurement methods indicated above.

Pursuant to paragraph 25 of Accounting Statement 5/01, *Accounting for Inventories*, obsolete, damaged (partially damaged) or impaired inventories are reported in the closing balance sheet net of the applicable impairment allowance. This provision is charged against the Company's financial result in an amount calculated as the difference between the current market value and actual cost of inventories if the actual cost exceeds their current market value. The Company annually determines whether it is necessary to accrue an allowance for impairment of inventories, including a provision for the destruction of goods that are not sold within their shelf life or due to defects.

Accounting for financial investments

Financial investments are recognized in accordance with Accounting Statement 19/02, *Accounting for Financial Investments*.

Financial investments include the following main types of financial investments:

- Contributions to charter (pooled) capital of other entities
- Loans provided to other entities
- Deposits with credit organizations.

Financial investments are recognized at historical cost. The historical cost of financial investments acquired for consideration is determined as the total cost of acquisition. The historical cost of financial investments provided as a contribution to the charter (pooled) capital of an entity is deemed to be the monetary value of those investments as agreed upon by the founders (participants). The historical cost of loans provided shall be deemed to be the amount of cash disbursement.

Financial investments, for which the current market value is determinable, are recognized in the financial statements as of the end of the reporting year at the current market value adjusted as of the previous reporting date.
Financial investments, for which the current market value is not determinable, are recognized in the financial statements as of the reporting date at their historical cost.
Financial investments for which the current market value is not determinable, contributions to charter (pooled) capital of other organizations, loans issued to other organizations, deposits with credit institutions are disposed at historical cost of each item of recognized financial investments. The cost of disposed financial investments for which the current market value is determinable is based on their most recent valuation.
A sustained material decline in value of financial investments, for which the current market value is not determinable, below the level of economic benefits which an organization can reasonably expect to receive from these financial investments in the normal course of business, is recognized as impairment of financial investments. Therefore, the Company estimates the value of financial investments as the difference between their carrying amount and the amount of impairment.
In the event of sustained material decline in the value of financial investments, the Company recognizes an allowance for impairment of financial investments in the amount of difference between their carrying amount and estimated value.

If there is any indication of impairment, financial investments are tested for impairment once a year as of 31 December of the reporting year.

Gains and losses from financial investments are recognized within other income and expenses on a gross basis. Gains received on loans provided to other entities are recorded as interest receivable in the statement of financial results.

Accounts receivable

The Company recognizes doubtful debt provisions if accounts receivable are recognized as doubtful, and takes the amount of such provisions to the financial results.

Doubtful debt is an outstanding account receivable not settled or unlikely to be settled within the contractual term and not secured by proper guarantees. The amount of the provision is calculated for each doubtful debt, and depends on the debtor's financial position (solvency) and the estimated probability of a full or partial settlement. In particular, doubtful debts represent accounts receivable past due more than 365 days. The provision is made for the full amount of the debt less the amount of accounts payable.
If by the end of the reporting year following the year of doubtful debt provision any part of such provision remains unused, the unused amounts will be added to the financial results at the time of preparing the balance sheet as of the end of the reporting year.

Revenue

Revenue is recognized as the cash equivalent of cash and other assets received and/or accounts receivable (pursuant to paragraph 3 of Accounting Statement 9/99, *Income of an Organization*). If actual receipts fall short of the total revenue, revenue is recognized as the sum of actual receipts and outstanding accounts receivable (not covered by receipts).

Revenue is recognized if all of the following criteria are met (paragraph 12 of Accounting Statement 9/99):

- The entity is entitled to the revenue on a contractual or other basis
- The amount of revenue is measurable
- There is certainty that a particular transaction will result in an inflow of economic benefits
- Ownership (possession, utilization and disposal) rights to the products (goods) have passed from the entity to the purchaser, or the work has been accepted by the customer (services have been rendered)
- The costs incurred or to be incurred in connection with the transaction are measurable.

Expenses

Administrative and selling expenses are recognized in full in the reporting period when they were recognized as expenses related to ordinary business activity.

Expenses for marketing services related to product promotion, as well as advisory and marketing services in the form of market research under agreements with Dr. Reddy's Laboratories Ltd. (India) are taken to expenses and reported within the cost of services, since revenue under agreements is determined as an amount of incurred expenses increased by the premium.

Expenses recognized as selling expenses include:

- Salaries and insurance contributions of employees engaged in selling activities
- Depreciation of fixed assets
- Other payments and compensations to employees
- Lease of premises and a warehouse
- Transportation expenses
- Advertising and promotion
- Business travel expenses
- Conferences, round tables and pharmaceutical workshops
- Entertainment expenses
- Marketing services for pharmacy chains

- Expenses incurred under civil contracts
- Other expenses.

Expenses recognized as administrative expenses include:

- Salaries and insurance contributions of employees engaged in administrative activities
- Depreciation of fixed assets
- Materials
- Office lease
- Business travel expenses of employees engaged in administrative activities
- Advisory services
- Office maintenance costs
- other expenses.

Borrowing costs

Information relating to expenses associated with the fulfillment of obligations under loans and borrowings received is recorded and disclosed in accordance with Accounting Statement 15/2008, *Accounting for Borrowing Costs*.

Borrowing costs are recognized in the accounting records and financial statements as other expenses in the reporting period to which they pertain. Obligations under loans and borrowings received are recorded in the financial statements as long-term obligations (with contractual maturities of more than 12 months) and short-term obligations (with contractual maturities of up to 12 months). Long-term loans and borrowings are reclassified to short-term loans and borrowings if their remaining contractual maturity is less than 12 months.

Cash and cash equivalents, recognition of cash flows

Cash and cash equivalents

For the purpose of the statement of cash flows, the Company's cash includes cash equivalents which are short-term, highly liquid financial investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. In particular, the Company includes in cash equivalents demand deposits with credit institutions and/or deposits maturing in three months or less, as well as highly liquid bank promissory notes maturing in less than three months.

Reporting cash flows on a net basis

Cash flows are presented on a net basis in the statement of cash flows when they reflect the activities of counterparties rather than those of the entity, and/or when proceeds from one party give rise to respective payments to another party. In particular, the Company reports the following cash flows on a net basis:

a) Cash flows of a commissioner or agent in connection with the performance of commission or agency services (other than fees for such services)

b) Indirect taxes included in receipts from customers and clients, payments to suppliers and contractors and payments to the budget of the Russian Federation or compensations from the budget.

Cash flows are also presented on a net basis in the statement of cash flows when their turnover is quick, amounts are large, and maturities are short. In particular, the Company reports the following cash flows on a net basis:

a) Related cash payments and receipts from settlements with bank cards

b) Purchase and resale of financial investments

c) Short-term financial investments (usually with a maturity period of three months or less) using borrowed funds.

Foreign currency cash flows

For the purpose of the statement of cash flows, foreign currency cash flows are translated into Russian rubles at the official rate of the foreign currency to Russian ruble set by the Central Bank of the Russian Federation as of the date of payment or receipt. In case of insignificant changes in the official rate of the foreign currency to the Russian ruble established by

the Central Bank of the Russian Federation, foreign currency amounts related to a large number of homogenous transactions may be translated into Russian rubles at the average rate for the month or a shorter period.

Where the Company in the ordinary course of business exchanges foreign currency for Russian rubles immediately after receiving such foreign currency, the cash flow is presented in the statement of cash flows as the amount of Russian rubles actually received, without translating the foreign currency. Where the Company in the ordinary course of business exchanges Russian rubles for a required amount in foreign currency shortly before an intended payment in foreign currency, the cash flow is presented in the statement of cash flows as the amount of Russian rubles actually paid, without translating the foreign currency.

Balances of cash and cash equivalents denominated in foreign currency at the beginning and end of the reporting period are recorded in the statement of cash flows in the amount in Russian rubles determined in accordance with Accounting Statement 3/2006, *Accounting for Assets and Liabilities Whose Value is Expressed in Foreign Currency*. The difference arising on the translation of the Company's cash flows and balances of cash and cash equivalents denominated in foreign currency at exchange rates ruling at different dates is recorded in the statement of cash flows separately from cash flows from operating, investing and financing activities as effect of changes in the exchange rate between the foreign currency and the Russian ruble.

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currency are recorded in accordance with Accounting Statement 3/2006, *Accounting for Assets and Liabilities Whose Value is Expressed in Foreign Currency*.

Exchange gains and losses are recognized in accounting records and financial statements in the reporting period in which a liability is settled or for which financial statements have been prepared.

Exchange gains and losses are taken to the Company's financial result as either other income or other expenses.

Official exchange rates of the CBR as of 31 December 2019 are as follows:

- US dollar – 61.9057 Russian rubles
- Euro – 69.3406 Russian rubles

Official exchange rates of the CBR as of 31 December 2018 are as follows:

- US dollar – 69.4706 Russian rubles
- Euro – 79.4605 Russian rubles

Official exchange rates of the CBR as of 31 December 2017 are as follows:

- US dollar – 57.6002 Russian rubles
- Euro – 68.8668 Russian rubles

Other

Expenses related to future periods but incurred by the entity in the reporting period are recorded on the balance sheet in accordance with asset recognition criteria set by accounting regulations and are written off based on the procedure for writing off the value of the relevant asset type. In the accounting records, such expenses are recorded in Account 97 "Prepaid Expenses". If such expenses are long-term, they are included in the line "Other non-current assets" of the balance sheet, except for their current portion maturing within 12 months after the reporting date. Such current portion and initially short-term expenses are included in the line "Other current assets" of the balance sheet.

Planned changes to the accounting policies for 2020:

The following amended Accounting Statements become effective on 1 January 2020:

- Accounting Statement 13/2000, *Accounting for Government Assistance*
- Accounting Statement 16/02, *Disclosure of Discontinued Operations*
- Accounting Statement 18/02, *Income Tax*.

The Company believes that changes in the Accounting Statements will not have significant effect on the Company's financial position, financial results and cash flows.

3. INTANGIBLE ASSETS

The Company's intangible assets and their movements during the reporting period are disclosed in Table 1.1 of the Explanatory Notes to the balance sheet and statement of income.
The carrying amount of fully amortized intangible assets that were not derecognized and that continue to generate economic benefits for the Company is presented in Table 1.3 of the Explanatory Notes to the balance sheet and statement of income.

Information on intangible assets created by the Company is disclosed in Table 1.2 of the Explanatory Notes to the balance sheet and statement of income.
Information on incomplete transactions involving the acquisition of intangible assets is disclosed in Table 1.5 of the Explanatory Notes to the balance sheet and statement of income.

4. FIXED ASSETS

Fixed assets and income-bearing investments in tangible assets, their movements and accumulated depreciation are presented in Table 2.1 of the Explanatory Notes to the balance sheet and statement of income.

As of 31 December 2019, the gross carrying amount of fully depreciated fixed assets was kRUR 53,780 (31 December 2018: kRUR 16,177; 31 December 2017: kRUR 14,190).

Changes in historical cost of a fixed asset recorded on initial recognition (supplementary construction, retrofitting, refurbishment, partial liquidation or revaluation of a fixed asset) are described in Table 2.3 of the Explanatory Notes to the balance sheet and statement of income.
Information on construction in progress and movements in construction in progress as well as on uncompleted transactions to acquire or upgrade, etc., any fixed assets is presented in Table 2.2 of the Explanatory Notes to the balance sheet and statement of income.

Information on other use of fixed assets is presented in Table 2.4 of the Explanatory Notes to the balance sheet and statement of income.

5. FINANCIAL INVESTMENTS

Information on financial investments and their movements in the reporting period is presented in Table 3.1 of the Explanatory Notes to the balance sheet and statement of income.
The Company acquired a 99.9% share in DRS LLC registered in the Uniform State Register of Legal Entities on 17 January 2019. The value of the acquired share is disclosed in Table 3.1 of the Explanatory Notes to the balance sheet and statement of income.

Loans issued

As of 31 December, long-term loans issued included:

Borrower (by maturity)	Amount maturing later than 12 months after the reporting date			Maturity	Annual interest rate
	2019	2018	2017		
Loan issued to DRS LLC	35,100	33,400	31,750	February 2024	8

Information on other usage of financial investments is presented in Table 3.2 of the Explanatory Notes to the balance sheet and statement of income.

6. INVENTORIES

Information on inventories and their movements during the reporting period is presented in Table 4.1 of the Explanatory Notes to the balance sheet and statement of income.

As of 31 December 2019, 31 December 2018 and 31 December 2017, there were no inventories pledged.

7. ACCOUNTS RECEIVABLE

Information on accounts receivable and their movements during the reporting period is presented in Table 5.1 of the Explanatory Notes to the balance sheet and statement of income. Turnovers do not include accounts receivable recorded and repaid in the same reporting period.

There were no accounts receivable pledged as collateral under loan agreements.

Information about overdue accounts receivable is presented in Table 5.2 of the Explanatory Notes to the balance sheet and statement of income. Long-term accounts receivable are disclosed in Note 5.1 of the Explanatory Notes.

8. CASH AND CASH EQUIVALENTS

As of 31 December, cash and cash equivalents comprised the following:

	2019	2018	2017
RUR-denominated cash on hand and balances with banks	66,132	34,254	62,005
Total cash on the balance sheet	**66,132**	**34,254**	**62,005**
Cash equivalents (short-term deposit)	30,000	70,000	-
Total cash included in the statement of cash flows	**96,132**	**104,254**	**62,005**

As of 31 December 2019, the Company had access to the following extra cash resources:

- Cash in the amount of kRUR 240,000 that the Company may receive on an overdraft basis

In general, the Company's cash flows are associated with maintaining the Company's production activities at existing level.

9. OTHER ASSETS

As of 31 December, other assets consisted of the following:

Type of assets	2019		2018		2017	
	Non-current	Current	Non-current	Current	Non-current	Current
Non-exclusive rights and licenses	-	23,585	-	23,669	-	23,062
VAT on advances received	-	62	-	2	-	394
Insurance	-	18,312	-	17,811	-	16,325
Shortages and losses from damage to assets	-	94	-	-	-	286
Total	**-**	**42,053**	**-**	**41,482**	**-**	**40,067**

The Company incurred expenses to acquire non-exclusive rights and licenses. Such expenses are recorded in account 97, "Prepaid expenses". Non-current expenses are included in Section I "Non-current assets" of the balance sheet ("Other non-current assets" line item), while expenses maturing within 12 months from the reporting date are included in Section II "Current assets" of the balance sheet ("Other current assets" line item).

Acquisition costs	Balance as of 31 December 2017	Additions	Disposals	Balance as of 31 December 2018	Additions	Disposals	Balance as of 31 December 2016
Software	23,062	9,072	(10,533)	21 601	10,578	(13,011)	19,168
SAP and warehouse	-	2,068	-	2,068	2,750	(401)	4,417

Acquisition costs	Balance as of 31 December 2017	Additions	Disposals	Balance as of 31 December 2018	Additions	Disposals	Balance as of 31 December 2016
system setup							
Total	23,062	11,140	(10,533)	23,669	13,328	(13,412)	23 585

10. CHARTER CAPITAL

According to the Charter, the Company's charter capital is kRUR 696,295.

The charter capital is paid in full. There were no changes in the charter capital of the Company in 2019 and 2018.

CHARTER CAPITAL	Charter capital (kRUR)	Interest held by the Company
31 December 2017	**696,295**	-
Increase (decrease) in charter capital	-	-
Change in the Company's interest	-	-
31 December 2018	**696,295**	-
Increase (decrease) in charter capital	-	-
Change in the Company's interest	-	-
31 December 2019	**696,295**	-

As of 31 December 2019, 31 December 2018 and 31 December 2017, the Company's shares were fully paid up. The Company distributed no profit in 2019, 2018 and 2017.

11. LOANS AND BORROWINGS

As of 31 December, loans and borrowings consisted of the following:

Description	2019		2018		2017	
	Short-term loans and borrowings	Long-term loans and borrowings	Short-term loans and borrowings	Long-term loans and borrowings	Short-term loans and borrowings	Long-term loans and borrowings
Bank loans	1,315,819	-	-	-	655,206	-
Intragroup loan	-	-	1,473,924	-	-	-
Total loans and borrowings	**1,315,819**	-	**1,473,924**	-	**655,206**	-

As of 31 December 2019, interest accrued, but not paid was kRUR 15,819 (31 December 2018: kRUR 97,924; 31 December 2017: kRUR 5,206).

Accrued interest included in other expenses in 2019 amounted to kRUR 120,070 (2018: kRUR 136,296).

Short-term loans and borrowings

As of 31 December 2019, short-term loans and borrowings consisted of the following:

Description	Loans and borrowings balance as of 31 December 2019, kRUR	Annual interest rate range, %	Contractual maturity date	Collateral provided (type and amount)
Loans:				
- Citibank	1,300,000	From 7.05 to 8.49	28 April 2020	No collateral
Total loans and borrowings	1,300,000			

As of 31 December 2018, short-term loans and borrowings consisted of the following:

Description	Loans and borrowings balance as of 31 December 2018, kRUR	Annual interest rate range, %	Contractual maturity date	Collateral provided (type and amount)
Intragroup loan	1,376,000	7.8	6 May 2019	No collateral
Total loans and borrowings	**1,376,000**			

As of 31 December 2017, short-term loans and borrowings consisted of the following:

Description	Loans and borrowings balance as of 31 December 2017, kRUR	Annual interest rate range, %	Contractual maturity date	Collateral provided (type and amount)
Loans:				
- Citibank	650,000	From 9.43 to 10.9	28 February 2018	No collateral
Total loans and borrowings	650,000			

The carrying amounts of the short-term loans and borrowings are denominated in Russian rubles as of 31 December 2019, 31 December 2018 and 31 December 2017.

12. PROVISIONS

Information on provisions and their movements during the reporting period is presented in Table 7 of the Explanatory Notes to the balance sheet and statement of income.

As of 31 December, provisions were as follows:

	2019	2018	2017
Included in the total amount of provisions:			
Long-term	-	-	-
Short-term	216,515	200,621	152,524
Total	**216,515**	**200,621**	**152,524**

Unused vacation provision

The Company has created a provision for employee vacations unused as of 31 December 2019. The provision balance as of 31 December 2019 is expected to be used in the first half of 2020. Management believes that the actual amount of vacation compensation expenses will not exceed the amount of the unused vacation provision disclosed in the financial statements as of 31 December 2019.

Provision for annual or quarterly performance bonuses

The Company has created a provision for future expenses related to performance bonuses paid to regional employees on a quarterly basis and to office employees on an annual basis. It is expected that the provision amount as of 31 December 2019 will be used in the first half of 2020. Management believes that the actual amount of bonus expenses will not exceed the amount of the provision disclosed in the financial statements as of 31 December 2019.

Provision for insurance contributions (unused vacations, bonuses)

The Company has created a provision for future expenses related to insurance contributions on paid annual/quarterly bonuses and vacations provided for. It is expected that the provision amount as of 31 December 2019 will be used in the first half of 2020. Management believes that the actual amount of bonus expenses will not exceed the amount of the provision disclosed in the financial statements as of 31 December 2019.

13. ACCOUNTS PAYABLE

Accounts payable and their movements in the reporting period are disclosed in Table 5.3 of the Explanatory Notes to the balance sheet and statement of income. Turnovers do not include accounts payable recorded and settled in the same reporting period.

The Company had no overdue accounts payable as of 31 December 2019, 31 December 2018 and 31 December 2017.

As of 31 December 2019, 31 December 2018 and 31 December 2017, trade accounts payable in foreign currency were not significant.

Payables to state non-budgetary funds
As of 31 the Company had no payables to state non-budgetary funds.

Taxes and levies payable

As of 31 December, taxes and levies payable consisted of the following:

	2019	2018	2017
Value-added tax	4,564	3,411	22,310
Transport tax	1,240	1,144	842
Property tax	-	-	124
Total taxes and levies payable	**5,804**	**4,555**	**23,276**

As of 31 December 2019, 2018 and 2017, the Company had no overdue insurance contributions, taxes and levies payable

14. OTHER LIABILITIES

As of 31 December, other liabilities consisted of the following:

Liabilities	2019		2018		2017	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Settlements under civil contracts	-	25,876	-	14,186	-	8,425
Settlements related to unbilled deliveries	-	2,245	-	8,198	-	3,397
Total	-	**28,121**	-	**22,384**	-	**11,822**

15. INCOME AND OPERATING EXPENSES

The following table presents information on revenue (net) from sales of goods, products, work and services (less VAT, excise taxes and similar fiscal payments) (paragraph 3 of Accounting Statement 9/99), the cost of goods, products, work and services sold, as well as the selling and administrative expenses (Accounting Statement 10/99):

Revenue and cost of sales

Activity	Revenue from the sale of goods and services, net (less VAT)	Cost of goods and services sold	Gross profit
Revenue from sales of goods to distributors	15,057,253	(12,545,767)	2,511,486
Revenue from provision of marketing services	2,686,220	(2,582,904)	103,316
Total for 2019	**17,743,473**	**(15,128,671)**	**2,614,802**

Activity	Revenue from the sale of goods and services, net (less VAT)	Cost of goods and services sold	Gross profit
Revenue from sales of goods to distributors	13,341,910	(11,491,253)	1,850,657
Revenue from provision of marketing services	2,738,015	(2,632,707)	105,308
Total for 2018	**16,079,925**	**(14,123,960)**	**1,955,965**

During the reporting year, the Company was not engaged in the sale of goods, work and services under contracts providing for non-monetary compensation from counterparties.
During the reporting year the Company sold goods, works and services in the domestic market.

Selling expenses

Selling expenses consisted of the following:

Selling expenses	2019	2018
Advertising	810,652	773,904
Marketing services for pharmacy chains	134,250	132,727
Payroll	133,414	108,055
Lease expenses	116,177	115,199
Civil law contract expenses	103,396	102,074
Insurance contributions	59,281	56,927
Depreciation and amortization charges	58,407	43,999
Business travel	8,165	6,699
Lease of motor vehicles	2,948	3,925
Fuel and lubricants	1,882	1,787
Personnel training and development	421	413
Other	97,316	67,257
Total selling expenses	**1,526,309**	**1,412,966**

Administrative expenses

Administrative expenses consisted of the following:

Administrative expenses	2019	2018
Payroll	68,401	51,017
Lease expenses	17,363	19,436
Insurance contributions	12,417	8,165
Advisory services	9,434	5,118
Office maintenance costs	8,243	8,478
Business travel	4,684	806
Depreciation and amortization charges	3,951	4,040
Materials	637	863
Other costs	11,235	8,139
Total administrative expenses	**136,365**	**106,062**

16. OTHER INCOME AND EXPENSES

In 2019 and 2018, other income and expenses consisted of the following:

Other income	Income – 2019	Income – 2018
Agency fee under agency contract with Dr. Reddy's Laboratories (India)	32,863	25,526
Insurance premium received under insurance contract	348	1,076
Income from the sale, disposal and other write-off of fixed assets	-	1,339
Other	601	2,136
Total other income	**33,812**	**30,077**

Other expenses	Expenses – 2019	Expenses – 2018
Expenses related to write-off of goods	114,991	41,623
Expenses related to impairment of intangible assets	64,246	-
Expenses related to the sale, disposal or other write-off of fixed assets	24,142	1,977
Other personnel expenses	11,708	11,131
Expenses related to payments for services provided by credit institutions	10,337	8,985
Other	11,664	22,101
Total other expenses	**237,088**	**85,817**

17. CHANGES IN ACCOUNTING ESTIMATES

In 2019 and 2018, the Company made the following changes in accounting estimates:

Accounting estimate	Nature of change	Included in current period income / (expenses), kRUR	
		2019	2018
Doubtful debt provision	*Charge/(reversal)*	-	-
Inventory impairment provision	*Impairment indicators*	201,312	(279,836)

Changes in the accounting estimates will have no significant effect on the financial statements for future periods.

18. INCOME TAX

Current income tax charge for 2019 and 2018 calculated in accordance with Accounting Statements 18/02 is reconciled to profit before tax as follows:

Item	Code	2019	2018
Profit (loss) before tax, per accounting records	[1]	**640,152**	**249,829**
Theoretical income tax expense (benefit)	[2]=[1]*[8]	**128,030**	**49,966**
Permanent differences of the reporting period	[3]	**84,413**	**100,059**
Expenses related to health insurance for employees' relatives		32,118	32,632
Other non-deductible expenses		52,295	67,427
Permanent differences of prior reporting periods	[4]		-
Temporary differences of the reporting period	[5]	**1,541,648**	**1,757,456**
Bonuses payable to distributors		796,574	797,303
Trade accounts payable		231,161	318,073
Provision for employee bonuses and vacations		216,515	200,621
Inventory provision		242,516	443,829
Impairment of intangible assets		64,246	-
Loss from sale of fixed assets		(15)	(27)
Expenses for the period: amortization and depreciation from kRUR 40 to kRUR 100 and depreciation premium		(11,746)	(8,192)
Other		2,397	5,849
Temporary differences of prior reporting periods	[6]	**(1,759,826)**	**(1,693,528)**
Bonuses payable to distributors		(797,303)	(1,151,913)
Trade accounts payable		(318,073)	(223,908)

Provision for employee bonuses and vacations		(200,621)	(152,525)
Inventory provision		(443,829)	(163,993)
Other			(1,189)
Taxable profit (loss) per tax records	[7]= [1]+[3]+ [4]+[5]+[6]	**506,387**	**413,816**
Income tax rate, %	[8]	**20**	**20**
Income tax	[9]=[7]*[8]	**101,277**	**82,763**

	At 31 December 2019	At 31 December 2018	At 31 December 2017	Maturity
Deferred tax asset	295,066	338,701	325,916	Next reporting period

19. RELATED PARTIES

In the course of its business, the Company enters into transactions with legal entities and individuals that are related parties.

For the most part, transactions with related parties consist of:

- Purchase and sale of goods, work and services
- Provision of marketing services
- Provision of agent services under agency agreements
- Financial transactions, including receipt/provision of loans
- Acquisition of interest in charter capital
- Sublease of office premises

For the purpose of these financial statements, the Company identified the following related parties in accordance with Accounting Statement 11/2008, *Related Party Disclosures*:

No.	Legal entity or related party (full name)	Registration address	Nature of relationship	Share of the related party in the Company, %	Share of the Company in the related party, %
Parent company					
1.	*Dr. Reddy's Laboratories Ltd.*	*Hyderabad, India*	*Parent*	-	-
Major shareholders (participating entities)					
2.	*Dr. Reddy's Laboratories SA*	*Basel, Switzerland*	*General control before 4 December 2019* *General control since 5 December 2019*	*99.99%* *100%*	-
3.	*Dr. Reddy's Laboratories International SA*	*Basel, Switzerland*	*General control before 4 December 2019*	*0.01%*	-
Key management personnel					
4.	*Dmitry Vladislavovich Sovetkin*	*Moscow*	*General Director*	–	–
Associates					
5.	*LLC DRS*	*Moscow*	*General control*	–	*99.9%*
Other related parties					
6.	*Dr. Reddy's Laboratories B.V.*	*Leiden, the Netherlands*	*Belongs to the same group of entities as the Company*		

Translation of the original Russian version

Cost values, terms, conditions and form of settlements for transactions not closed as of 31 December:

Nature of relationship and type of liability	2019	2018	2017	Settlement terms and conditions	*Form of settlement*
Accounts receivable, including other receivables	**1,250,421**	**1,296,087**	**1,795,930**		
- Parent company *Dr. Reddy's Laboratories Ltd.*	1,203,720	1,266,035	1,771,882	settlements are made on an arm's length basis under contractual terms	*non-cash*
- Major shareholder (participating entity) *Dr. Reddy's Laboratories SA*	46,420	30,052	24,048	settlements are made on an arm's length basis under contractual terms	*non-cash*
- Key management personnel	281	-	-	settlements are made under contractual terms	*non-cash*
Nature of relationship and type of liability	**2019**	**2018**	**2017**	**Settlement terms and conditions**	***Form of settlement***
Accounts payable	**(8,145,029)**	**(7,562,149)**	**(7,011,680)**		
- Parent company *Dr. Reddy's Laboratories Ltd.*	(7,734,568)	(7,111,307)	(6,313,941)		
- Major shareholder (participating entity) *Dr. Reddy's Laboratories SA*	(410,185)	(445,241)	(695,361)		
- Key management personnel	(276)	(5,601)	(2,378)		*wire transfer to salary cards*

As of 31 December 2019, the amount of loan provided to DRS LLC was kRUR 35,100. Maturity date: 14 February 2024.

Types and scope of the Company's transactions with related parties: Nature of relationship and type of transaction	2019	2018
Purchase of goods (VAT excluded)	**12,994,839**	**12,322,046**
- Parent company Dr. Reddy's Laboratories Ltd.	12,338,929	11,718,357
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	655,910	603,689
Volume discount	**45,945**	**42,924**
- Parent company Dr. Reddy's Laboratories Ltd.	-	-
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	45,945	42,924
Credit notes approved	**8,774**	**15,267**
- Parent company Dr. Reddy's Laboratories Ltd.	8,774	15,267
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	-	-
Claims brought against	**21,736**	**14,530**
- Parent company Dr. Reddy's Laboratories Ltd.	21,135	14,450
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	601	80
Provision of marketing services (VAT excluded)	**2,686,220**	**2,738,015**
- Parent company Dr. Reddy's Laboratories Ltd.	2,686,220	2,738,015
Provision of agent services (VAT excluded) – agency fee	**32,863**	**25,526**
Parent company Dr. Reddy's Laboratories Ltd.	32,863	25,526
Provision of agent services under agency agreement (bonuses to pharmacy chains, GMP), VAT excluded	**860,386**	**867,207**
- Parent company Dr. Reddy's Laboratories Ltd.	860,386	867,207
Financial transactions, including acquisition of interest in charter capital, loans	**42,636**	-
- Other related parties **Dr. Reddy's Laboratories B.V.**	42,636	-
Interest on loans from related parties	**39,546**	**97,924**
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	39,546	97,924
Financial transactions, including loans to related parties and deposits placed with related parties	**1,700**	**1,650**

- Associate DRS LLC	1,700	1,650
Interest on loans issued to related parties and deposits	**2,744**	**2,603**
- Associate DRS LLC	2,744	2,603

Significant cash flows between the Company and its related parties:

Nature of relationship and type of transaction	2019	2018
Cash proceeds from related parties operating activities)	**3,749,164**	**4,184,257**
- Parent company Dr. Reddy's Laboratories Ltd.	3,719,526	4,146,872
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	29,638	37,385
Cash transfers to related parties (operating activities)	**11,959,145**	**11,759,532**
- Parent company Dr. Reddy's Laboratories Ltd.	11,130,708	10,905,723
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	828,437	853,809
Cash transfers to related parties (financing activities)	**1,516,470**	-
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA	1,376,000	-
- Major shareholder (participating entity) Dr. Reddy's Laboratories SA (interest on loan)	137,470	-
Cash transfers to related parties (financing activities)	**44,194**	**1,650**
- Associate DRS LLC	1,700	1,650
- Other related parties	42,494	-

As of 31 December 2019, 31 December 2018 and 31 December 2017, the Company did not provide collateral to related parties to secure the Company's obligations. As of 31 December 2019, 31 December 2018 and 31 December 2017, the Company did not provide collateral to third parties to secure the liabilities of related parties.

As of 31 December 2019, 31 December 2018 and 31 December 2017, the Company did not issue or provide any promissory notes, on which the underlying counterclaims against third parties were not settled.
As of 31 December 2019, 31 December 2018 and 31 December 2017, the Company did not receive any guarantees as collateral from related parties.

As of 31 December 2019, 31 December 2018 and 31 December 2017, the Company did not receive any property pledges as collateral from related parties.

In 2019 and 2018, the Company paid the following compensations to key management personnel (on an aggregate basis and by type of payment):

Item	2019	2018
Short-term benefits		
- Payroll, accrued payroll taxes and other compulsory payments, performance bonuses, vacation, medical treatment, medical care, utilities, etc.	31,466	23,350
Long-term benefits	-	
- Post-employment benefits (payments under voluntary insurance contracts, non-state pension insurance contracts entered into with insurers (non-state pension funds) in favor of key management personnel and other payments towards pension support and other social post-employment guarantees provided to key management personnel)	-	-
- Stock options, stock or shares, equity instruments and payments based thereon	-	1,152
- Other long-term benefits	-	-

The composition of the Board of Directors and the executive body is provided in Note 1 *General Information* of the Explanatory Notes.

20. CONTINGENCIES

Factors affecting the Company's financial position

Operating environment

Russia is continuing to institute economic reforms and develop its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and the effectiveness of economic, financial and monetary measures taken by the government.

The Russian economy is negatively affected by sanctions imposed on Russia by a number of countries. The ruble interest rates remain high. In combination, these trends have resulted in reduced capital availability, higher costs of capital, growing inflation and uncertainty regarding economic growth, which could negatively affect the Company's financial position, performance and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Taxation

Russian tax, currency and customs legislation allows for various interpretations and is subject to frequent changes. Management's interpretation of legislation as applied to the Company's transactions and activities may be challenged by regional or federal authorities.

The year 2019 saw continued implementation of mechanisms aimed at countering the use of low tax jurisdictions and aggressive tax planning structures for tax evasion, as well as the calibration of certain parameters of the Russian tax system. In particular, these changes included further development of the concepts of beneficial ownership, tax residency of legal entities by place of actual business activity, the permanent establishment and the approach to taxation of controlled foreign companies in Russia. In addition, the total VAT rate will be increased to 20% starting from 2019, while foreign providers of electronic services will be required to register with the Russian tax authorities to pay their VAT.

The Russian tax authorities continue to cooperate with tax authorities in other countries supporting international exchange of tax information. As a result, international activities of companies become more transparent, where organization of their international business requires economic justification in the course of tax audits.

The legislation on international automatic exchange of information and documentation relating to multinational corporations (MNCs) has been implemented, requiring the preparation of documents on MNCs for financial years beginning on or after 1 January 2017. The new legislation sets out a three-tiered approach to preparing transfer pricing documentation (master file, local file and country-by-country report) and requires the filing of a notice on participation in the MNCs. These rules apply to MNCs with consolidated revenue of RUB 50 billion or more in the financial year preceding the reporting period if the parent company is deemed to be a Russian tax resident or the MNC's consolidated revenue exceeds the statutory threshold for the preparation of country-by-country reports for the foreign state where the parent company is deemed to be a resident.

These changes and recent trends in applying and interpreting certain provisions of Russian tax law indicate that the tax authorities may take a tougher stance in interpreting legislation and reviewing tax returns. Consequently, the tax authorities may challenge transactions and accounting methods that they have never challenged before. As such, significant additional taxes, penalties and interest may be assessed. It is not possible to determine the amounts of constructive claims or evaluate probability of a negative outcome. Tax audits may cover a period of three calendar years immediately preceding the year under audit. Under certain circumstances, reviews may cover earlier tax periods.

According to management, as of 31 December 2019, they had properly construed the relevant legislation, and the probability that the Company will retain its position with regard to tax, currency and customs legislation is assessed as high.

Transfer pricing

The Russian tax authorities may assess additional tax liabilities and impose penalties under transfer pricing legislation, if they consider transactions to be priced not at arm's length. The list of controlled transactions mainly includes transactions between related parties.

From 1 January 2019, the threshold for cross-border transactions subject to price controls by tax authorities is kRUR 60. The threshold for global commodity exchange transactions and transactions with entities located in low-tax jurisdictions is kRUR 60. On 1 January 2019, the transfer pricing control requirement was abolished for most transactions in Russia. Tax authorities may challenge transactions between related parties in the Russian market yielding income of over RUR 1 billion only if parties apply different income tax rates, or at least one of them applies a special tax regime, or is

exempt from income tax, or participates in a regional investment project, or meets other criteria as stipulated by legislation. In addition, transactions in the Russian market are not deemed controlled where both parties to the transaction are registered in the same consistent entity of the Russian Federation, incur no losses, and have no stand-alone business units in other constituent entities of the Russian Federation or outside the country. However, the exemption from price controls does not apply to all domestic transactions. In case of additional tax assessments, counter adjustment of tax liabilities can be used, provided that certain regulatory requirements are met.

Even though certain intragroup transactions are no longer subject to transfer pricing control starting 2019, local tax authorities can still review these transactions for indicators of unjustified tax benefits and assess additional charges using transfer pricing methods.

The legislation that requires the preparation of documents on MNCs is effective for financial years beginning on or after 1 January 2017. The new legislation sets out a three-tiered approach to preparing transfer pricing documentation (master file, local file and country-by-country report) and requires the filing of a notice on participation in the MNCs. These rules apply to MNCs with consolidated revenue of RUR 50 billion or more in the financial year preceding the reporting period if the parent company is deemed to be a Russian tax resident or the MNC's consolidated revenue exceeds the statutory threshold for the preparation of country-by-country reports for the foreign state where the parent company is deemed to be a resident.

In 2019, the Company determined its tax obligations arising from controlled transactions based on the actual prices of those transactions.
The federal executive body in charge of tax and levy oversight and control may review the prices/margins in controlled transactions. Where it disagrees with prices applied by the Company in those transactions, it can impose additional tax liabilities unless the Company is able to confirm the arm's length pricing of the transactions by submitting qualifying transfer pricing documentation that meets local legislative requirements.

Current and potential claims against the Company

The Company is involved in litigations arising in connection with its business activity. Management did not make any provision for potential risks associated with an unfavorable outcome of the litigations for the Company as of 31 December 2019, 31 December 2018 and 31 December 2017 as the exposure was estimated as immaterial.

21. SUBSEQUENT EVENTS AFTER 31 DECEMBER 2019

The following event occurred after the reporting date which have had or may have an effect upon the financial position, cash flows or operating results of the Company and which occurred between the reporting date and the date of signing the financial statements for the reporting year.

Charter capital

In February 2020, minutes on the acquisition of 0.01% interest in the charter capital of **Reddy Netherlands B.V.** were received.

22. BUSINESS RISKS

1. Potentially significant business risks inherent to the Company's activities

In the course of its business operations, the Company is affected by industry, legal and other internal and external factors (material conditions, events, circumstances, actions), giving rise to various risks that may have a material effect on the Company's financial position and financial performance.

The Company is exposed to ***financial, legal, country and regional risks***.

2. Risk management mechanism

The Company's management oversees the management of the above risks in order to minimize potential adverse effects on the Company's financial position and financial performance.

3. Financial risks

The Company is exposed to market risk, credit risk and liquidity risk.

3.1 Market risk

Market risk is the risk that changes in certain market parameters may adversely impact the Company. The market parameters include the following risk types: interest rate risk, foreign currency risk, commodity price and price index risk, and other price risks, such as equity risk. The Company's balance sheet items affected by market risk primarily include loans and borrowings, accounts receivable and payable, cash and deposits, and investments.

Interest rate risk

The Company's assets and liabilities mainly bear fixed interest rates. Accordingly, management believes that the Company is not exposed to interest rate risk in relation to its assets and liabilities.

Foreign currency risk

The Company renders services, sells products, purchases goods and makes significant borrowings mainly in Russian rubles. Accordingly, management believes that the Company is not exposed to foreign currency risk.

3.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under loans issued to them or under a customer agreement (including purchases of bonds, promissory notes, deferrals and payments in installments for the goods sold, work performed or services rendered), leading to a financial loss. The Company is exposed to credit risk arising from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, etc.

The maximum exposure to credit risk as of 31 December is the carrying amount of each type of assets:

	2019	2018	2017
Long-term financial investments (Note 3)	77,938	33,400	31,750
Accounts receivable (Note 5)	8,351,490	8,159,219	8,117,470
Cash and cash equivalents (Note 8)	96,132	104,254	62,005
Total	**8,525,560**	**8,296,873**	**8,211,225**

Trade accounts receivable

The Company's exposure to credit risk mainly depends on the individual characteristics of each customer/client. However, management also considers the default risk of the industry and country, in which debtors operate, as these factors may have an impact on credit risk, particularly in the currently deteriorating economic circumstances. There is no credit risk concentration with regard to sales to one customer or geography.

Management has a credit policy in place to analyze each new customer for creditworthiness individually.

As of 31 December 2019, the Company recognized trade accounts receivable in the amount of kRUR 7,175,719, which included overdue accounts receivable totaling kRUR 351,710. As of 31 December 2019, the Company recognized an allowance for impairment of trade and other accounts receivable in the amount of kRUR 215,663, which represents an estimated amount of credit losses already incurred. The Company took steps to settle its accounts receivable, in particular, it signed repayment schedules according to which overdue accounts receivable are expected to be repaid. Management assessed risks associated with the repayment of overdue accounts receivable and considering the fulfillment of liabilities and overall positive dynamics decided that a provision for the remaining overdue accounts receivable in the amount of kRUR 136,047 was not necessary.

The Company evaluates the concentration of risk with respect to trade accounts receivable as low, as its customers are located in several regions.

Debt financial investments, loans issued and cash deposits

Credit risk related to balances with banks and financial institutions is managed in accordance with the Company's policy. Surplus funds are deposited only with approved financial institutions.

Impairment losses

The need to recognize impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculations are based on actual historical losses incurred. Doubtful (including overdue) receivables, impaired loans issued, the fair value of debt investments and receivables at the reporting date, where the fair value differs from the present value and can be practically determined, are presented in Note 5 in the Explanatory Notes to the balance sheet and the income statement. The Company did not receive any collateral for accounts receivable.

3.3 Liquidity risk

Liquidity risk is related to the Company's ability to settle in full and in due time its financial liabilities existing at the reporting date: trade payables, loans and borrowings payable to lenders (including in the form of bonds, promissory notes), etc. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company assessed the concentration of its debt refinancing risk and concluded it to be low. At present, the Company believes that it has access to sufficient funding.

Contractual maturities for accounts payable: from three to six months after the reporting date.

4. Other risks

4.1 Legal risks

Risks arising from changes in currency regulations

Domestic market

At present, the Company considers risks arising from possible changes in currency regulations as insignificant. Due to the policy of liberalizing currency regulations, risks arising from changes in currency legislation are mitigated.

Foreign market

Legal risks arising from changes in currency regulations in the foreign market do not have any material effect on the Company's activities due to an insignificant volume of the Company's foreign operations.

Risks arising from changes in tax legislation

Domestic market

Russian tax legislation is subject to varying interpretations and changes occurring frequently. The Company closely monitors current changes in tax legislation with due consideration given to workshops and meetings with leading experts in this area.

Recent events within the Russian Federation suggest that the tax authorities may take a more assertive position in their interpretation of tax legislation and tax calculations. It is therefore possible that transactions and accounting methods that have not been challenged in the past may be challenged by the tax authorities. As a result, significant additional taxes, penalties and fines may be assessed. Tax audits may cover a period of three calendar years immediately preceding the year under audit. Under certain circumstances, reviews may cover longer periods.

Foreign market

Legal risks arising from changes in tax legislation in the foreign market do not have any material effect on the Company's activities due to an insignificant volume of related operations.

Risks arising from changes in customs regulations and duties

Domestic market

A part of the Company's equipment is imported and/or produced using foreign-made components. Changes in customs regulations and duties may expose the Company to risks arising from an increase in the value of purchased fixed assets and longer delivery times for the required equipment and/or spare parts, which, in turn, may lead to increased costs for the Company and an increased probability of network technology infrastructure failures.

Foreign market

Legal risks arising from changes in customs regulations and duties in the foreign market do not have any material effect on the Company's activities due to an insignificant volume of the Company's foreign operations.

Risks arising from changes in legislation on circulation of medical drugs

Domestic market

Federal Law No. 134-FZ dated 6 June 2019 introduces changes related to the state regulation of prices for pharmaceuticals included in the in the essential drug list (EDL). The Company is subject to risks arising from changes in registered maximum prices for EDL.

Federal Law No. 462-FZ dated 27 December 2019 introduces obligatory marking for pharmaceuticals. The Company is subject to the risks that in case of non-compliance with legislation the Company will not be able to import pharmaceuticals into the Russian Federation and sell pharmaceuticals without respective identification marking.

Foreign market

Legal risks arising from changes in legislation on circulation of medical drugs do not have any material effect on the Company's activities due to an insignificant volume of the Company's foreign operations.

4.2 Country and regional risks

The Company operates mainly in the Central Federal District of Russia, which is characterized by risks arising from the country's overall political and economic environment.

The future stability of the Russian economy is largely dependent upon economic reforms, development of the legal, tax and regulatory frameworks, and the effectiveness of financial and monetary measures undertaken by the government of the Russian Federation.

The current political situation in the country is relatively unstable due to sanctions imposed on Russia by certain countries, the overall geopolitical situation in Russia, as well as fluctuations in crude oil prices. This, in turn, negatively affects the Russian economy as a whole. In particular, this results in volatility of the Russian ruble and brings forth the necessity of economic, tax, political and other reforms.

While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Company and its counterparties, which could affect the Company's financial position, results of operations and business prospects. Capital markets instability may result in significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia.

Altogether, the Company cannot have any significant impact on the country's overall economic conditions. However, in case the changes in the country or the region of the Russian Federation where the Company operates have an adverse effect, the Company will make every effort to mitigate the negative implications on the Company's financial position and financial performance.

The risks of military conflict, state of emergency and strikes in the country or the region where the Company operates are assessed as low and thus are unlikely to have a significant effect on the Company's activities. In order to prevent strikes, the Company ensures favorable working conditions and fulfills all of its obligations to employees. In order to mitigate the risk of a terrorist attack, the Company has taken additional safety and security measures at its facilities.

The Company estimates the risks associated with the geographical peculiarities of the region where it operates, including an increased threat of natural calamities, possible transportation cuts due to remoteness and inaccessibility, as insignificant.

4.3 Reputational risks

The Company's management believes that currently there are no facts that could have a significant negative impact on the loss of the Company's customers (clients) resulting from deterioration of the public opinion related to the quality of its goods (work, services) produced and sold, timelines of supplying goods, performing work (services) and the Company's price fixing practices. Accordingly, the Company estimates reputational risks as insignificant.

23. IMPLEMENTATION OF DECISIONS BASED ON PREVIOUS YEAR RECOMMENDATIONS

Following the analysis of the financial statements for 2018, the Company decided not to pay any dividends for the year, to retain and use the profit generated by the Company for growth purposes, and not to accrue any reserves.

РЕПЕЦКАЯ Н. И.
ПО ДОВЕРЕННОСТИ Б/Н
ОТ 22.01.2019

Director _____ **Sovetkin D.V.**
(signature) (full name)

26 February 2020

Independent Auditors' Report

To the Members of **OOO DRS LLC Limited**

We have audited the accompanying financial statements of **OOO DRS LLC Limited**a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2020;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of theLoss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 18th May 2020

UDIN: 20202367AAABPU9949

OOO DRS LLC Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	132,378	205,758
Capital work-in-progress		4,386	6,815
		136,764	**212,573**
Current assets			
Financial assets			
Cash and cash equivalents	2.2	486	344
Other current assets	2.3	354	96
		840	**440**
Total assets		**137,604**	**213,013**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.4	29,520	29,520
Other equity		24,171	74,943
		53,691	**104,463**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	2.5 A	59,120	81,871
		59,120	**81,871**
Current liabilities			
Financial Liabilities			
Other financial liabilities	2.5 B	24,073	26,582
Other current liabilities	2.6	720	97
		24,793	**26,679**
Total equity and liabilities		**137,604**	**213,013**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 18 May 2020

OOO DRS LLC Limited

Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Income			
Revenue from operations	2.7	21,807	-
Other income	2.8	55	5,633
Total income		**21,862**	**5,633**
Expenses			
Depreciation expense	2.9	110	101
Finance costs	2.10	2,832	2,814
Other expenses	2.11	5,311	12,822
Total expenses		**8,253**	**15,737**
Loss before tax		**13,609**	**(10,104)**
Tax expense			
Current tax		-	-
Deferred tax		-	-
Profit for the year		**13,609**	**(10,104)**
Other comprehensive income (OCI)			-
A. (i) Items that will not be reclassifled to profit or loss			
(ii) Income tax relating to items that will not be reclassified to profit or loss			
B. (i) Items that will be reclassified to profit or loss		(64,381)	
(ii) Income tax relating to items that will be reclassified to profit or loss			
Total comprehensive income for the year		**(50,772)**	**(10,104)**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 18 May 2020

OOO DRS LLC Limited

Statement of Changes in Equity

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Equity share capital	Other components of equity			Total equity
		Reserves and surplus		Other comprehensive income	
		Securities premium	Retained earnings	Foreign currency translation reserve	
Balance as at 1 April 2019	**29,520**	**122,532**	**(47,589)**	**-**	**104,463**
Profit/(loss) for the year	-	-	13,609	(64,381)	(50,772)
Balance as at 31 March 2020	**29,520**	**122,532**	**(33,980)**	**(64,381)**	**53,691**

Particulars	Equity share capital	Other components of equity			Total equity
		Reserves and surplus			
		Securities premium	Retained earnings		
Balance as at 1 April 2018	**29,520**	**122,532**	**(37,485)**		**114,567**
Loss for the year	-	-	(10,104)		(10,104)
Balance as at 31 March 2019	**29,520**	**122,532**	**(47,589)**		**104,463**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for and on behalf of the Board of Directors of

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

OOO DRS LLC Limited

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 18 May 2020

OOO DRS LLC Limited

Statement of Cash Flow

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cash flows from / (used in) operating activities		
Loss before tax	**13,609**	**(10,104)**
Adjustments:		
Depreciation and amortisation expense	110	101
Foreign exchange loss / (gain), net	11,376	(5,693)
Finance costs	2,832	2,814
Allowances for doubtful advances, net	(55)	11,001
Changes in operating assets and liabilities:		
Other assets and liabilities, net	(2,090)	(90)
Cash generated from operations	**25,782**	**(1,971)**
Income tax paid, net	-	-
Net cash from / (used in) operating activities	**25,782**	**(1,971)**
Cash flows from / (used in) investing activities	1	
Net cash used in investing activities	**1**	**-**
Cash flows from / (used in) financing activities		
Proceeds from long-term loans and borrowings, net	(25,583)	1,799
Net cash from / (used in) financing activities	**(25,583)**	**1,799**
Net increase / (decrease) in cash and cash equivalents	200	(172)
Effect of exchange rate changes on cash and cash equivalents	(58)	(26)
Cash and cash equivalents at the beginning of the year (Refer note 2.2)	344	542
Cash and cash equivalents at the end of the year (Refer note 2.2)	**486**	**344**

The accompanying notes are an integral part of financial statements.

As per our report of even date attached

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 18 May 2020

OOO DRS LLC Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company
OOO DRS LLC Limited (" the Company") incorporated in Russia , is a 100% subsidiary of OOO Dr. Reddy's Laboratories Limited.

1.2 Basis of preparation of financial statements
The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments
The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

a) Current and non-current classification
All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.
Assets:
An asset is classified as current when it satisfies any of the following criteria:
a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.
Liabilities:
A liability is classified as current when it satisfies any of the following criteria:
a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

b) Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

c) Revenue
Sale of goods
Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.
Services Income
Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.
License fee
License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

d) Interest income and dividend
Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

OOO DRS LLC Limited
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

e) Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

• the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
• differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
• taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

g) Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company’s business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Note 1 Description of the Company and significant accounting policies (continued)

h) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

i) Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Companny commits to purchase or sell the asset.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

l) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

Note 2 Notes to the financial statements

2.1 Property, plant and equipment

Particulars	Gross carrying value					Accumulated depreciation					Net carrying value	
	As at 1 April 2019	Additions	Disposals	Forex adjustments	As at 31 March 2020	As at 1 April 2019	For the year	Disposals	Forex adjustments	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
Land	205,449	-	-	(73,233)	132,216	-	-	-	-	-	132,216	205,449
Buildings	3,822	-	-	(1,371)	2,451	3,513	110	-	(1,334)	2,289	162	309
Total	**209,271**	**-**	**-**	**(74,604)**	**134,667**	**3,513**	**110**	**-**	**(1,334)**	**2,289**	**132,378**	**205,758**
Previous Year	209,271	-	-	-	209,271	3,412	101	-		3,513	205,758	205,859

OOO DRS LLC Limited

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements (continued)

2.2 Cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
Balances with banks:		
- In current accounts	486	344
	486	**344**

2.3 Other current assets

	As at 31 March 2020	As at 31 March 2019
Unsecured, considered good		
Balances with statutory authorities	134	96
Other advances	10,108	11,003
Less: Allowance for doubtful advances	(9,888)	(11,003)
	354	**96**

2.4 Share capital

	As at 31 March 2020	As at 31 March 2019
Authorised share capital		
RUB 18,420,000 (31 March 2019: RUB 18,420,000)*	29,520	29,520
Issued equity capital		
RUB 18,420,000 (31 March 2019: RUB 18,420,000)*	29,520	29,520
Subscribed and fully paid-up		
RUB 18,420,000 (31 March 2019: RUB 18,420,000)*	29,520	29,520
	29,520	**29,520**

* No concept of nature and number of shares in this Company.

(a) **Details of shareholders holding more than 5% shares in the Company**

Particulars	As at 31 March 2020		As at 31 March 2019	
	Amount in RUB ('000)	% holding in the class	Amount in RUB ('000)	% holding in the class
OOO Dr. Reddy's Laboratories Limited	18,420	100.00	18,420	100.00

2.5 Financial Liabilities

2.5 A. Non-current borrowings

	As at 31 March 2020	As at 31 March 2019
Unsecured		
Long-term loans from related parties	59,120	81,871
	59,120	**81,871**

2.5 B. Other current financial liabilities

	As at 31 March 2020	As at 31 March 2019
Others	24,073	26,582
	24,073	**26,582**

2.6 Other current liabilities

	As at 31 March 2020	As at 31 March 2019
Accrued expenses	342	
Due to statutory authorities	378	97
	720	**97**

OOO DRS LLC Limited

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements (continued)

2.7 : Revenue from operations

	For the year ended 31 March 2020	For the year ended 31 March 2019
Operating Income	21,807	-
	21,807	**-**

2.8 Other income

	For the year ended 31 March 2020	For the year ended 31 March 2019
Allowances for doubtful advances, net	55	
Foreign exchange gain, net	-	5,633
	55	**5,633**

2.9 Depreciation expense

	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation of property, plant and equipment	110	101
	110	**101**

2.10 Finance costs

	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest on long-term borrowings	2,832	2,814
	2,832	**2,814**

2.11 Other expenses

	For the year ended 31 March 2020	For the year ended 31 March 2019
Legal and professional	736	664
Rates and taxes	1,037	1,153
Foreign exchange loss, net	3,081	-
Allowances for doubtful advances, net	-	11,001
Rent	455	-
Other general expenses	2	4
	5,311	**12,822**

2.12 Going Concern

The accounts have been prepared on Going Concern basis.

2.13 Related parties

a) The following is a summary of related party transactions

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Miscellaneous operating income from other group companies		
Reddy Antilles N.V.	21,807	-
Interest expense to holding company or other group companies (included in Finance cost)		
OOO Dr. Reddys's Laboratories Limited	2,832	2,814

b) The Company had the following amounts due from / to related parties

Particulars	As at 31 March 2020	As at 31 March 2019
Due to holding company and other group companies(included in non-current borrowings and other liabilities):		
OOO Dr. Reddys's Laboratories Limited	59,526	60,806
Reddy Antilles N.V.	-	21,065

2.14 Income taxes

a. Current Taxes

The Company is not liable to pay any current taxes on account of brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

2.15 Provisions, contingent liabilities and contingent assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

OOO DRS LLC Limited

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 Notes to the financial statements (continued)

2.7 : Revenue from operations

	For the year ended 31 March 2020	For the year ended 31 March 2019
Operating Income	21,807	-
	21,807	**-**

For A Ramachandra Rao & Co.
ICAI Firm registration number: 002857S
Chartered Accountants

for and on behalf of the Board of Directors of **OOO DRS LLC Limited**

PSRVV Surya Rao
Partner
Membership No.: 202367

Anna Kuzmina
Director

Place: Hyderabad
Date: 18 May 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Dr. Reddy's Laboratories Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Promius Pharma LLC (the Company), which comprise the statement of financial position as at March 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

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they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Associates LLP

Ernst & Young Associates LLP

The Skyview 10, 18th Floor,
"Zone A", Survey No 83/1, Raidurgam,
Hyderabad 500 032, India.

Date: 19 May 2020.

PROMIUS PHARMA LLC

Financial Statements

March 31, 2020 and March 31, 2019

PROMIUS PHARMA LLC
Financial Statements
March 31, 2020 and March 31, 2019

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PROMIUS PHARMA LLC
STATEMENT OF FINANCIAL POSITION
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	As of March 31, 2020	As of March 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	10	18,667	82,911
Trade and other receivables	8	-	49,485,217
Inventories	7	-	4,458,064
Tax assets		-	22,048
Other current assets	9	6,615,284	66,009,204
Total current assets		**6,633,951**	**120,057,444**
Non-current assets			
Property, plant and equipment	5	-	12,067
Other intangible assets	6	-	-
Deferred tax assets	20	919,498	1,387,928
Other non-current assets	9	546,202	1,384,544
Total non-current assets		**1,465,700**	**2,784,538**
Total assets		**8,099,651**	**122,841,983**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	341,274	4,668,297
Loans and Borrowings	19	-	30,000,000
Provisions	12	4,061,811	6,103,067
Other current liabilities	14	2,828,826	17,031,156
Total current liabilities		**7,231,911**	**57,802,520**
Total liabilities		**7,231,911**	**57,802,520**
Equity			
Share capital	11	215,101,645	215,101,645
Other components of equity		(215,148,388)	(150,946,508)
Share based payment reserve		914,482	884,326
Total equity		**867,740**	**65,039,463**
Total liabilities and equity		**8,099,651**	**122,841,983**

The accompanying notes form an integral part of these financial statements.

PROMIUS PHARMA LLC
INCOME STATEMENT
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue	17	4,722,053	62,597,521
Cost of revenues		2,116,893	7,487,846
Gross profit		**2,605,160**	**55,109,675**
Selling, general and administrative expenses		9,578,912	58,910,731
Research and development expenses		1,307,553	2,159,630
Other (income)/expense, net	15	(1,093,374)	(15,084,207)
Total operating expenses		**9,793,091**	**45,986,154**
Results from operating activities		**(7,187,931)**	**9,123,521**
Finance (income)/ expense	16	**(131,959)**	**462,181**
(Loss)/Profit before tax		**(7,055,972)**	**8,661,340**
Tax expense / (benefit)	20	**57,145,908**	**5,502,736**
(Loss)/Profit for the year		**(64,201,880)**	**3,158,604**

The accompanying notes form an integral part of these financial statements.

PROMIUS PHARMA LLC
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

PARTICULARS	For the year ended March 31, 2020	March 31, 2019
(Loss)/Profit for the year	**(64,201,880)**	**3,158,604**
Other comprehensive income		
Items that will not be reclassified to Income Statement	-	-
Total items that will not be reclassified to Income statement	-	-
Items to be reclassified subsequently to Income statement:		
Total items that to be reclassified subsequently to Income statement	-	-
Other comprehensive (loss) / profit for the year, net of income tax	-	-
Total comprehensive (loss) / income for the year	**(64,201,880)**	**3,158,604**

The accompanying notes form an integral part of these financial statements.

PROMIUS PHARMA LLC
STATEMENT OF CHANGES IN EQUITY
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	Share Capital	Share based payment reserve	Retained earnings	Total
Balance as of April 01, 2018 (A)	**38,760,000**	**736,228**	**(154,105,112)**	**(114,608,884)**
Total Comprehensive income				
Profit for the period	-	-	3,158,604	3,158,604
Foreign currency translation adjustments	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**3,158,604**	**3,158,604**
Transactions with owners of the Company				
Contributions and distributions				
Issuance of additional paid in capital - (Refer Note 11)	176,341,645	-	-	176,341,645
Share based payment expense - (Refer Note 21)	-	148,098	-	148,098
Total contributions and distributions	**176,341,645**	**148,098**	**-**	**176,489,743**
Total transactions with owners of the Company (C)	176,341,645	148,098	-	176,489,743
Balance as of March 31,2019 [(A)+(B)+(C)]	**215,101,645**	**884,326**	**(150,946,508)**	**65,039,463**
Balance as of April 01, 2019 (A)	**215,101,645**	**884,326**	**(150,946,508)**	**65,039,463**
Total Comprehensive income				
Loss for the period	-	-	(64,201,880)	(64,201,880)
Foreign currency translation adjustments	-	-	-	-
Total Comprehensive income (B)	**-**	**-**	**(64,201,880)**	**(64,201,880)**
Transactions with owners of the Company				
Contributions and distributions				
Issuance of additional paid in capital - (Refer Note 11)	-			-
Share based payment expense - (Refer Note 21)	-	30,156	-	30,156
Total contributions and distributions	**-**	**30,156**	**-**	**30,156**
Total transactions with owners of the Company (C)	-	30,156	-	30,156
Balance as of March 31,2020 [(A)+(B)+(C)]	**215,101,645**	**914,482**	**(215,148,388)**	**867,739**

PROMIUS PHARMA LLC
STATEMENT OF CASH FLOWS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

Particulars	For the year ended	
	March 31, 2020	**March 31, 2019**
Cash flows from/(used in) operating activities:		
Profit/(Loss) for the year	(64,201,880)	3,158,604
Adjustments for:		
Tax expense / (benefit)	57,145,908	5,502,736
Depreciation and amortization	9,409	1,586,625
Profit on sale of other intangible assets	-	(9,588,500)
Inventory write down	2,713	224,384
Allowances for sale returns/(True up for Accruals)	(57,938)	2,851,947
Interest expense/(Income)	(137,228)	470,721
Share based payment expense	30,156	148,098
Changes in operating assets and liabilities:		
Trade and other receivables	49,485,217	(40,412,659)
Inventories	4,455,351	(3,300,066)
Trade and other payables	(4,327,023)	2,643,265
Other assets and other liabilities	(12,468,929)	(966,269)
Net cash from/(used in) operating activities	**29,935,757**	**(37,681,114)**
Cash flows from/(used in) investing activities:		
Purchase of property, plant and equipment	-	(13,892)
Proceeds from Sale of other intangible assets	-	13,594,099
Net cash from investing activities	**-**	**13,580,207**
Cash flows from financing activities:		
(Repayment) to /Proceeds from - loans and borrowings from related parties, net	(30,000,000)	23,880,552
Net cash from/(used in) financing activities	**(30,000,000)**	**23,880,552**
Net increase in cash and cash equivalents	**(64,243)**	**(220,355)**
Cash and cash equivalents at the beginning of the year	82,911	303,266
Cash and cash equivalents at the end of the year	**18,667**	**82,911**

The accompanying notes form an integral part of these financial statements.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

1. Reporting entity

Promius Pharma LLC is the subsidiary of Dr. Reddys Laboratories Inc. focusing on U.S. Specialty Business, which is engaged in the development and sales of branded specialty products in the therapeutic areas of dermatology and neurology.

The Company has a portfolio of in-licensed patented dermatology and neurology products. It also has an internal pipeline of dermatology products that are in different stages of development. Company's portfolio contains innovative products for the treatment of seborrheic dermatitis, acne and steroid responsive dermatoses, migraine.

2. Basis of preparation of financial statements

a. Statement of compliance

These financial statements as at and for the year ended March 31, 2020 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared for the Company as a going concern on the basis of relevant IFRS that are effective or elected for early adoption at the Company's annual reporting date, March 31, 2020. These financial statements were authorized for issuance by the Company's Board of Directors on May 19, 2020.

b. Basis of measurement

These financial statements have been prepared on the historical cost convention and on an accrual basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- financial assets are measured at fair value; and,
- share-based payments are measured at fair value.

c. Functional currency

The Company's operations are self-contained and integrated within the respective countries/regions (i.e., United States of America), the functional currency has been determined to be the local currency of that country (i.e., U.S. Dollar).

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2 (e) — Going concern
- Note 2 (c) — Assessment of functional currency for foreign operations;
- Note 3(b) and 22 — Financial instruments;
- Note 3(e) & 3(f) — Useful lives of property, plant and equipment and intangible assets;
- Note 3(g) — Valuation of inventories;
- Note 3(h) — Provisions;
- Note 3(i) — Sales returns, rebates and charge back provisions;
- Note 3(k) — Evaluation of recoverability of deferred tax assets;
- Note 3(l) — Share-based payment transactions;

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

e. Going Concern

The Company's financial statement for the year ended March 31, 2020 and March 31, 2019 have been prepared on a going concern basis which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The Company is wholly owned subsidiary of Dr. Reddy's Laboratories Limited India ("the Ultimate Parent Company"). In March 2019, the Company sold the rights for SERNIVO® (betamethasone dipropionate) Spray 0.05% and assigned rights to market and distribute PROMISEB® topical cream and TRIANEX® 0.05% (triamcinolone acetonide ointment, USP) in the United States to Encore Dermatology Inc. On June 14, 2019, the Ultimate Parent Company entered into a definitive agreement with Upsher-Smith Laboratories, LLC, pursuant to which the Ultimate Parent Company agreed to sell, at the closing thereunder, its U.S. and select territory rights for ZEMBRACE® SYMTOUCH® (sumatriptan injection) 3 mg and TOSYMRA® (sumatriptan nasal spray) 10 mg (formerly referred to as "DFN-02"), which were commercialized through the Company.

Post the above transaction, the Company does not have any direct products revenues. As at March 31, 2020, the Companies operations are minimal and Dr. Reddy's Laboratories Inc. (the 'Holding Company') has undertaken to provide such financial support as necessary, to enable the Company to meet the operational requirements as they arise and to meet it's liabilities as and when they fall due. The Company's financial statement for the year ended March 31, 2020 and March 31, 2019 have been prepared on a going concern basis which assumes that the Holding Company will continue to be able to meet its liabilities as they fall due for the foreseeable future.

As of March 31, 2020 and 2019 the Company had working capital (deficit)/surplus of USD (597,960) and USD 62,254,924 respectively. The Company had a (Loss)/profit of USD (64,201880) and USD 3,158,604 and had positive/(negative) cash flow from/(used in) operations of USD 29,935,757 and USD (37,681,114) for the year ended March 31 2020 and March 31, 2019 respectively. The Management expects the income statement will be supported by Royalty income and cash flows generated can be utilised for the funding part of the existing R&D programmes and in future, it would lead to improved cash flow and long term sustainability, hence the Company has continue to be reported under 'Continuing Operations'.

3. Significant accounting policies

New Standards adopted by the Company

IFRS 16, "Leases"

In January 2016, the IASB issued a new standard, IFRS 16, "Leases". IFRS 16 replaces existing standard on leases i.e. IAS 17, "Leases" with effect from accounting periods beginning on or after January 1, 2019. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The adoption of IFRS 16 did not have any material impact on the financial statements of the Company.

IFRIC 23, "Uncertainty over Income Tax Treatments"

On June 7, 2017, the IFRS Interpretations Committee issued IFRIC 23, "Uncertainty over Income Tax Treatments", which clarifies how the recognition and measurement requirements of IAS 12, "Income Taxes", are applied where there is uncertainty over income tax treatments.

IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the applicable tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under applicable tax law. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The Company applied the interpretation effective April 1, 2019 using modified retrospective approach. The adoption of IFRIC 23 did not have any material impact on the financial statements of the Company.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

a. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the income statement in the period in which they arise.

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

b. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognized at fair value. The Company's trade receivables do not contain any significant financing component and hence are measured at the transaction price measured under IFRS 15.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

• Debt instruments at amortized cost;
• Debt instruments at fair value through other comprehensive income (FVTOCI); and
• Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL).
• Equity instruments measured at fair value through other comprehensive income ("FVTOCI").

Debt instruments at amortized cost

A 'debt instrument' is measured at the amortized cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other income in the income statement. The losses arising from impairment are recognized in the income statement. This category generally applies to trade and other receivables.

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Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the income statement. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified to the income statement. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the income statement.

Equity investments

All equity investments within the scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument -by-instrument basis. The classification is made upon initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to the income statement, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity investments designated as FVTOCI are not subject to impairment assessment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the income statement.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's financial position) when:

• The rights to receive cash flows from the asset have expired; or

• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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Impairment of trade receivables and other financial assets

In accordance with IFRS 9, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in forward looking estimates are analysed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to the income statement. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the income statement. The Company has not designated any financial liability as fair value through profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

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Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having original maturities of three months or less from the date of investment. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

c. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
· Expected to be realised or intended to sold or consumed in the normal operating cycle
· Held primarily for the purpose of trading
· Expected to be realised within twelve months after the reporting period
Or
· Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when it is:
· Expected to be settled in the normal operating cycle
· Held primarily for the purpose of trading
· Due to be settled within twelve months after the reporting period
Or
· There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d. Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

e. Property, plant and equipment
Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income/expense, net)" in income statement.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in income statement as incurred.

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Depreciation
Depreciation is recognized in income statement on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expenses is included in the costs of the functions using the asset. Land is not depreciated.

Leased assets are depreciated over period of the lease agreement or the useful life, whichever is shorter.
Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives are as follows:

Furniture, fixtures and office equipment	4 - 10 years
Computer equipment	3 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

f. Intangible assets
Other intangible assets
Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.
Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development
Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in the income statement when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if:
• development costs can be measured reliably;
• the product or process is technically and commercially feasible;
• future economic benefits are probable; and
• the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in the income statement as incurred. As of March 31, 2020, none of the development expenditure amounts has met the aforesaid recognition criteria.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalized. The Company's criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38 ("IAS 38") (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).
Acquired research and development intangible assets which are under development, are recognized as In-Process Research and Development assets ("IPR&D"). IPR&D assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such IPR&D assets is recorded in the income statement under "Research and Development expenses".

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognized immediately in the income statement.

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Subsequent expenditure

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, is recognized in the income statement as incurred.

Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

Intangible assets that are not available for use are amortized from the date they are available for use.
The estimated useful lives are as follows:

Trademarks	3 - 12 years
Product related intangibles	5 - 8 years
Other intangibles	3 - 5 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

De-recognition of intangible assets

Intangible assets are de-recognized either on their disposal or where no future economic benefits are expected from their use. Losses arising on such de-recognition are recorded in the income statement, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

g. Inventories

Inventories consist of finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials which are consumed as indirect materials in the manufacturing process.Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory includes estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

h. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

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Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

i. Revenue

The Company's revenue is derived from sales of goods, service income and income from licensing arrangements.

Sale of goods

Revenue is recognized when the control of the goods has been transferred to a third party. This is usually when the title passes to the customer, either on shipment or on receipt of goods by the customer. At that point, the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product.

Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

In arriving at the transaction price, the Company considers the terms of the contract with the customers and its customary business practices. The transaction price is the amount of consideration the Company is entitled to receive in exchange for transferring promised goods or services, excluding amounts collected on behalf of third parties. The amount of consideration varies because of estimated rebates, returns and chargebacks, which are considered to be key estimates. Any amount of variable consideration is recognized as revenue only to the extent that it is highly probable that a significant reversal will not occur. The Company estimates the amount of variable consideration using the expected value method.

License fees

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognized when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Profit share revenues and milestone payments

The Company from time to time enters into marketing arrangements with certain business partners for the sale of its products in certain markets. Under such arrangements, the Company sells its products to the business partners at a non-refundable base purchase price agreed upon in the arrangement and is also entitled to a profit share which is over and above the base purchase price. The profit share is typically dependent on the business partner's ultimate net sale proceeds or net profits, subject to any reductions or adjustments that are required by the terms of the arrangement. Such arrangements typically require the business partner to provide confirmation of units sold and net sales or net profit computations for the products covered under the arrangement.

Revenue in an amount equal to the base purchase price is recognized in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognized as revenue only to the extent that it is highly probable that a significant reversal will not occur.

At the end of each reporting period, the Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

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Out licensing arrangements, milestone payments and royalties

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. In cases where the transaction has two or more components, the Company accounts for the delivered item (for example, the transfer of title to the intangible asset) as a separate unit of accounting and record revenue upon delivery of that component, provided that the Company can make a reasonable estimate of the fair value of the undelivered component. Otherwise, non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which the Company has pending performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones, over the performance period depending on the terms of the contract. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.
Royalty income earned through a license is recognized when the underlying sales have occurred.

Provision for chargeback, rebates and discounts

Provisions for chargeback, rebates, discounts and Medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Provisions for such chargebacks are accrued and estimated based on historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers/other customers and estimated inventory holding by the wholesaler.

Sales Returns

The Company accounts for sales returns accrual by recording refund liability concurrent with the recognition of revenue at the time of a product sale. This liability is based on the Company's estimate of expected sales returns. The Company deals in various products and operates in various markets. Accordingly, the estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates. With respect to established products, the Company considers its historical experience of sales returns, levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and the introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. With respect to new products introduced by the Company, such products have historically been either extensions of an existing line of product where the Company has historical experience or in therapeutic categories where established products exist and are sold either by the Company or the Company's competitors

Services

Revenue from services rendered, which primarily relate to contract research, is recognized in the income statement as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognized as revenue over the expected period over which the related services are expected to be performed.

j. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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k. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

l. Share-based payment transactions

Equity settled share-based payment transactions

Dr. Reddy's Laboratories Limited (Ultimate Parent Company) issues employees stock option (ESOP) to the employees covered under various ESOP Plans managed by the Ultimate Parent Company.

The grant date fair value of options granted to employees is recognized as an employee expense in the income statement, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and performance conditions at the vesting date. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognized in connection with share-based payment transaction is presented as a separate component in equity under “share-based payment reserve”. The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest.

Cash settled share-based payment transactions

The fair value of the amount payable to employees in respect of share-based payment transactions which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at the settlement date based on the fair value of the share-based payment transaction. Any changes in the liability are recognized in the income statement.

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m. Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized in the income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognized in the income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

n. Finance income and expense

Finance income consists of dividend income and gains on the disposal of financial assets. Interest income is recognized in the income statement as it accrues, using the effective interest method. Dividend income is recognized in the income statement on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognized in the income statement using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within finance income and expense. These primarily include: exchange differences arising on the settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

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o. Recent accounting pronouncements

Standards issued but not yet effective and not early adopted by the Company

Amendments to IFRS 9 and IFRS 7 in response to IBOR reform

In September 2019, the International Accounting Standards Board ("IASB") published "Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7," which amended certain of its requirements for hedge accounting. The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs").

The amendments revise the IASB's new and old financial instruments Standards, IFRS 9, "Financial Instruments" and IAS 39, "Financial Instruments: Recognition and Measurement", as well as the related Standard on disclosures, IFRS 7, "Financial Instruments: Disclosures".

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBORs reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The amendments are effective as of January 1, 2020, although companies may choose to apply them earlier. The Company is in the process of evaluating the impact of such amendments on its financial statements.

4(a). Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for certain financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

(ii) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

4(b). Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt.
The capital gearing ratio as on 31 March 2020 and 31 March 2019 was 0.00% and 32%, respectively.

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5. Property plant and equipment: The following is a summary of the change in carrying value of property, plant and equipment:

Particulars	Office equipment	Computers	Leased Assets	Total
Gross Carrying Value				
Balance as at April 1, 2018	3,613	358,479	69,741	**431,833**
Additions	-	54,202	-	**54,202**
Disposals	-	-	-	**-**
Balance as at March 31, 2019	**3,613**	**412,681**	**69,741**	**486,035**
Balance as at April 1, 2019	3,613	412,681	69,741	486,035
Additions	-	-	-	**-**
Disposals	-	(43,390)	-	**(43,390)**
Balance as at March 31, 2020	**3,613**	**369,291**	**69,741**	**442,645**
Accumulated Depreciation				
Balance as at April 1, 2018	3,613	355,600	69,741	**428,954**
Depreciation during the year	-	45,014	-	**45,014**
Disposals	-	-	-	**-**
Balance as at March 31, 2019	**3,613**	**400,614**	**69,741**	**473,968**
Balance as at April 1, 2019	3,613	400,614	69,741	473,968
Depreciation during the year	-	9,409	-	**9,409**
Disposals	-	(40,732)	-	**(40,732)**
Balance as at March 31, 2020	**3,613**	**369,291**	**69,741**	**442,645**
Net Carrying Value				
As at April 01, 2018	**-**	**2,879**	**-**	**2,879**
Add:-Capital Work in Progress				**54,204**
Total at April 01, 2018	-	-	-	**57,083**
As at March 31, 2019	**-**	**12,067**	**-**	**12,067**
Add:-Capital Work in Progress				**-**
Total at March 31, 2019	-	**12,067**	-	**12,067**
As at March 31, 2020	**-**	**-**	**-**	**-**
Add:-Capital Work in Progress				-
Total at March 31, 2020	-	-	-	-

Capital commitment: As of March 31, 2020 and 2019 the Company had capital commitments of USD Nil and USD Nil respectively.

PROMIUS PHARMA LLC
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6. Other intangible assets

The following is a summary of changes in carrying value of other intangible assets:

Particulars	Patents & Trade Marks	Product related intangibles	Total
Gross carrying value			
Balance as at April 1, 2018	153,450	45,097,247	45,250,697
Additions	-	-	-
De–recognitions*	-	(45,097,247)	(45,097,247)
Balance as at March 31, 2019	**153,450**	**-**	**153,450**
Balance as at April 1, 2019	153,450	-	153,450
Additions	-	-	-
De–recognitions	-	-	-
Balance as at March 31, 2020	**153,450**	**-**	**153,450**
Amortization			
Balance as at April 1, 2018	153,450	39,550,037	39,703,487
amortization during the period	-	1,541,611	1,541,611
De–recognitions*	-	(41,091,648)	(41,091,648)
Balance as at March 31, 2019	**153,450**	**-**	**153,450**
Balance as at April 1, 2019	153,450	-	153,450
amortization during the period	-	-	-
De–recognitions	-	-	-
Balance as at March 31, 2020	**153,450**	**-**	**153,450**
Net carrying amount			
As at April 01, 2018	**-**	**5,547,210**	**5,547,210**
As at March 31, 2019	**-**	**-**	**-**
As at March 31, 2020	**-**	**-**	**-**

*During the Financial year ended 31st March 2019, the Company has entered into agreement for sale to four of its dermatology brands viz., Sernivo® (betamethasone dipropionate) Spray, 0.05%, Promiseb® Topical Cream, Trianex® 0.05% (Triamcinolone Acetonide Ointment, USP) and Cloderm® (clocortolone pivalate 0.1%) for the total consideration of USD 13,594,099 and profit on such sale of USD 9,588,500 has been disclosed as Other income (Refer note no :15)

PROMIUS PHARMA LLC
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7. Inventories

Inventories consist of the following:

	As of	
	March 31, 2020	**March 31, 2019**
Finished goods	-	4,458,064
Total Inventories	**-**	**4,458,064**

During the years ended March 31, 2020 and 2019, the Company recorded inventory write-downs of USD 2,713 and USD 224,384 respectively. These adjustments are included as part of cost of revenues in the income statement.

Cost of revenues for the years ended March 31, 2020 and 2019 includes raw materials, consumables and changes in finished goods and work in progress recognized in the income statement USD 2,070,886 and USD 6,574,745 respectively. Cost of Revenues for the years ended March 31, 2020 and 2019, includes other expenditures recognized in the income statement of USD 46,007 and USD 913,101 respectively.

8. Trade and Other receivables

	As of	
	March 31, 2020	**March 31, 2019**
Trade and other receivables, net of chargebacks and rebates	275,466	49,485,217
Less: Allowance for credit losses	275,466	-
Trade and other receivables, net	**-**	**49,485,217**

In accordance with IFRS 9, the Company has implemented the expected credit loss ("ECL") model for measurement and recognition of impairment loss on its trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers.

The details of changes in allowance for credit losses during the year ended March 31, 2020:

	March 31, 2020
Balance at the beginning of the year	-
Adjustment on account of transition to IFRS9	-
Provision / (reversal) for credit losses	275,466
Balance at the closing of the year	**275,466**

9. Other Assets

Other assets consist of the following:

	As of	
	March 31, 2020	**March 31, 2019**
Current		
Due from related parties*	2,935,953	62,000,352
Prepaid expenses	-	333,131
Other assets	3,679,331	3,675,721
Total Current Assets	**6,615,284**	**66,009,204**

* Refer Note 19

Non-current		
Deposits and other assets	546,202	1,384,544
Total Non-current Assets	**546,202**	**1,384,544**

10. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of	
	March 31, 2020	**March 31, 2019**
Current		
Balances with banks	18,667	82,911
Cash and cash equivalents in the statement of cash flow	**18,667**	**82,911**

11. Share Capital

	As of	
	March 31, 2020	**March 31, 2019**
Fully paid up capital	**215,101,645**	**38,760,000**
As at April 01	215,101,645	38,760,000
Add: Additional paid up share capital*	-	176,341,645
As at March 31	**215,101,645**	**215,101,645**

The Company presently has only one class of equity shares. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held.

In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date.

***Additional Paid in Share Capital**	**Amount in USD**
Closing balance payable to Dr Reddy's Laboratories Inc. - March 31 , 2018	182,345,684
Additional Loan received from Dr Reddy's Laboratories Inc. for FY 2019	23,995,961
Transferred to Equity as at March 31, 2019**	(176,341,645)
Repayment of Loan to Dr Reddy's Laboratories Inc. in FY 2020	(30,000,000)
Closing balance payable to Dr Reddy's Laboratories Inc. - March 31, 2020 (Refer Note : 18)	**-**

**As at March 31, 2018, the Company borrowed a total of USD 176,341,645 from its parent Company, Dr. Reddy's Laboratories Inc., towards working capital requirements. During the year ended March 31, 2019, there has been a change in the business model of the Company and as part of the change in the business model, the Company sold most of its revenue generating products such as Cloderm®, Priomiseb, Trainex, Sernivo. Consequently, the Company believes that the amount borrowed from the Parent Company could not be repaid and accordingly, entered into an agreement with the Parent Company for legal discharge of the obligation. After obtaining the legal discharge of the obligation, the Company believes that it is more appropriate to recognise the transaction as a transaction with equity shareholders. Hence, the Company recognised the write-back of the liability as an additional-paid-in-capital by the Parent Company.

12. Provisions

Provisions consist of the following:

	As of	
	March 31, 2020	**March 31, 2019**
Refund liability	4,061,811	6,103,067
Total provisions	**4,061,811**	**6,103,067**

The details of changes in provisions during the year ended March 31 2020 and March 31, 2019 are as follows:

Particulars	**March 31, 2020**	**March 31, 2019**
Balance at the beginning of the year	6,103,067	5,450,335
Provision made during the year	(57,938)	2,851,947
Credits and payments during the year	(1,983,318)	(2,199,215)
Balance at the closing of the year	**4,061,811**	**6,103,067**

Refund liability is accounted for by recording a provision based on the Company's estimate of expected sales returns. See Note 3(i) for the Company's accounting policy on sales returns.

13. Trade and other payables

Trade and other payables consist of the following:

	As of	
	March 31, 2020	**March 31, 2019**
Due to related parties*	-	13,000
Others trade payables	341,274	1,620,759
Creditors for expenses	-	3,034,538
Total Trade and other payables	**341,274**	**4,668,297**

*Refer Note 19

14. Other Liabilities

Other liabilities consist of the following:

	As of	
	March 31, 2020	**March 31, 2019**
Current Liabilities		
Accrued expenses	1,003,880	7,517,755
Other Current Liabilities	1,665,841	9,513,401
Due to related parties*	159,105	-
Total Current Liabilities	**2,828,826**	**17,031,156**

*Refer Note 19

15. Other (income)/expense, net

Other expense/ (income), net consist of the following:

	For the year ended	
	March 31, 2020	**March 31, 2019**
Profit on sale of other intangible assets	-	(9,588,500)
Other income – related parties*	(841,580)	(5,495,147)
Other (income)/expense, net	(251,794)	(560)
Total Other (income)/expense, net	**(1,093,374)**	**(15,084,207)**

*Refer Note 19

16. Finance (income)/ expense, net

Finance (income)/ expense consist of the following:

	For the year ended	
	March 31, 2020	**March 31, 2019**
Interest expense/ (Income)	(137,228)	470,721
Foreign exchange loss/ (gain)	5,269	(8,540)
Total Finance (income)/ expense, net	**(131,959)**	**462,181**

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17. Revenue

Revenue consists of the following:

	For the year ended	
	March 31, 2020	**March 31, 2019**
Sales to third parties	4,517,513	34,972,842
Licence Fees	307,791	26,819,740
Service income*	(103,251)	804,939
Total	**4,722,053**	**62,597,521**

*Refer Note 19

Details of significant gross to net adjustments

A roll-forward for each major accrual is presented below for our fiscal years ended March 31, 2019 and 2020:

Particulars	**Chargebacks**	**Rebates**	**Medicaid**	**Refund liability**	**Total**
Beginning Balance: April 1, 2018	119,838	3,710,950	169,269	5,450,335	9,450,392
Current provisions relating to sales during the year	431,391	31,185,561	1,742,369	2,851,947	36,211,268
Provisions and adjustments relating to sales in prior years*	-	-	-	-	-
Credits and payments*	(452,611)	(29,313,677)	(1,503,378)	(2,199,215)	(33,468,881)
Ending Balance: March 31, 2019	**98,618**	**5,582,834**	**408,260**	**6,103,067**	**12,192,779**
Beginning Balance: April 1, 2019	98,618	5,582,834	408,260	6,103,067	12,192,779
Current provisions relating to sales during the year	30,112	4,096,333	630,874	(57,938)	4,699,381
Provisions and adjustments relating to sales in prior years*	-	-	-	-	-
Credits and payments*	(128,730)	(8,766,578)	(1,039,134)	(1,983,318)	(11,917,760)
Ending Balance: March 31, 2020	**-**	**912,589**	**-**	**4,061,811**	**4,974,400**

* Currently, the Company do not separately track the Provisions and adjustments relating to sales in prior years and credits and payments, in each case to the extent relating to prior years for chargebacks, rebates, medicaid payments or sales returns.

Chargebacks and rebates provisions for the year ended March 31, 2020 and payments for the year ended March 31, 2020 were less as compared to the year ended March 31, 2019, primarily as a result of decrease in volumes of sales - Discontinuing of sales from Sep-19.

The overall provision for refund liability as at March 31, 2020 was USD 4,061,811 as compared to a provision of USD 6,103,067 as at March 31, 2019. This decrease in our provision was primarily attributable to a lower sales recorded for the year ended March 31, 2020.

Details of Refund liability	**For the Year Ended March 31,**	
Particulars	**2020**	**2019**
Balance at the beginning of the year	6,103,067	5,450,335
Provision made during the year	(57,938)	2,851,947
Credits and payments during the year	(1,983,318)	(2,199,215)
Balance at the closing of the year	**4,061,811**	**6,103,067**

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18. Employee benefits

The Company's employees participate in Dr. Reddy's Laboratories 401 (k) defined contribution retirement plan. The Company's contribution is discretionary and is determined by its Board of Directors on an annual basis. The contribution made by the Company for the year ended March 31, 2020 and 2019 was USD 366,602 and USD 779,351 respectively.

19. Related parties

The Company has entered into transactions with the following related parties:

(a) Dr. Reddy's Laboratories Limited	Ultimate Parent Company
(b) Dr. Reddy's Laboratories Inc.	Parent Company
(c) Dr. Reddy's Laboratories (Australia) Pty. Limited	Company under common control
(d) Aurigene Discovery Technologies Limited	Company under common control
(e) Dr. Reddy's Laboratories Louisiana LLC	Company under common control
(f) Dr. Reddy's Laboratories SA	Company under common control
(g) Dr. Reddy's Laboratories New York	Company under common control

The following is a summary of significant related party transactions:

Particulars	For the year ended	
	March 31, 2020	March 31, 2019
Loan from:		
Dr. Reddy's Laboratories Inc.	-	23,995,961
Loan repaid to:		
Dr. Reddy's Laboratories (Australia) Pty. Limited	-	115,409
Dr. Reddy's Laboratories Inc.	30,000,000	-
Service income from:		
Profit share from Dr. Reddy's Laboratories Inc.	(103,251)	804,939
Other income from:		
Dr. Reddy's Laboratories Limited	701,428	5,351,108
Dr. Reddy's Laboratories SA	140,152	144,039
Purchases from:		
Dr. Reddy's Laboratories Limited	159,105	13,000

The Company has the following amounts due from related parties (included in trade receivables and other current assets):

Particulars	As of	
	March 31, 2020	March 31, 2019
Dr. Reddy's Laboratories Limited	-	5,351,108
Dr. Reddy's Laboratories Inc.	2,866,155	56,624,116
Dr. Reddy's Laboratories SA	46,076	25,128
Dr. Reddy's Laboratories New York	117	-
Dr. Reddy's Laboratories Louisiana LLC	23,605	-
Total amounts due from related parties	**2,935,953**	**62,000,352**

The Company has the following amounts due to related parties (included in trade and other payables, other current liabilites & loans and borrowings):

Particulars	As of	
	March 31, 2020	March 31, 2019
Dr. Reddy's Laboratories Limited	159,105	13,000
Dr. Reddy's Laboratories Inc. (refer note a)*	-	30,000,000
Total amounts due to related parties	**159,105**	**30,013,000**

Note a:
Represents loans and borrowings received from group companies. Refer to Note 3(b) for details. These borrowings are repayable on demand and hence presented as current liability in the financial statements.

*Also refer Note 11 for conversion of loans and borrowings to equity.

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20. Income taxes

a. Income tax (expense)/benefit recognized in the income statement

Income tax (expense)/benefit recognized in the income statement consist of the following:

Particulars	Years ended March 31	
	2020	2019
Current taxes (expense)/ benefit		
Current taxes (expense)/ benefit	(56,677,478)	(977,271)
Current tax effect of net operation losses carry back	-	-
	(56,677,478)	**(977,271)**
Deferred taxes (expense)/benefit		
Deferred taxes (expense)/benefit	(468,430)	(4,525,465)
Impact on account of change in enacted tax rate	-	-
	(468,430)	**(4,525,465)**
Total income tax (expense)/benefit in income statement	**(57,145,908)**	**(5,502,736)**

The Company is considered as disregarded entity for the purpose of Income taxes. The tax expense in the Income Statement of the Company is on account of tax allocation from the consolidated tax benefit/ (expense) of Dr. Reddy's Laboratories Inc. The tax expenses are computed and presented at consolidated financial statements of Dr. Reddy's Laboratories Inc. as per the tax laws of the United States.

b. Income tax (expense)/benefit recognized directly in equity

There were no income tax expenses / benefits recognized directly in equity for the year ended March 31, 2020 and 2019.

c. Reconciliation of effective tax rate

Particulars	For the year ended March 31	
	2020	2019
(Loss)/Profit before income taxes	(7,055,972)	8,661,340
Enacted tax rate in US	21.00%	21.00%
Computed expected tax benefit/(expense)	**1,481,754**	**(1,818,882)**
Effect of change in tax laws and rate	(23,579)	-
Expenses not deductible for tax purposes	(43,662)	(370,897)
Effect of permanent differences	16,039	160,900
Others	13,914	(346,297)
Effect on account of tax allocation from the consolidated tax benefit/ (expense) of Parent Company viz., Dr. Reddy's Laboratories Inc., based on parent-down approach	(58,590,374)	(3,127,560)
Income tax benefit/ (expense)	**(57,145,908)**	**(5,502,736)**
Effective tax rate	809.89%	-63.53%

(1) The Company's weighted average effective tax rates for the years ended 31 March 2020 and 31 March 2019 were 809.89% and (63.53)%, respectively.

d. Unrecognized deferred tax assets and liabilities

During the financial year ending March 31, 2020 and March 31, 2019 the Company did not have unrecognized deferred tax assets.

e. Deferred tax assets and liabilities

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that created these differences is given below:

Particulars	For the year ended	
	31-Mar-20	31-Mar-19
Deferred tax assets/(liabilities):		
Property plant and equipment	29,199	(66,621)
Stock based compensation/ equity	7,879	14,764
Accounts receivable	969,237	1,388,221
Other current assets	(496)	43,136
Other current liabilities	(86,321)	8,428
Net deferred tax asset/(liabilities)	**919,498**	**1,387,928**

In assessing the realizability of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment.

Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced. Periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized deductible differences and tax loss carry forwards.

f. Movement in temporary differences during the years ended March 31, 2019 and 2020:

The details of movement in deferred tax assets and liabilities are summarised below:

	As at March 31, 2019	Movement	As at March 31, 2020
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	(66,621)	95,819	29,198
Accounts receivable	1,388,221	(418,984)	969,237
Stock based compensation	14,764	(6,884)	7,880
Other current assets	43,136	(43,632)	(496)
Other current liabilities	8,428	(94,749)	(86,321)
Net deferred tax assets/(liabilities)	**1,387,928**	**(468,430)**	**919,498**

	As at March 31, 2018	Movement	As at March 31, 2019
Deferred tax assets/(liabilities)			
Property, plant and equipment and intangibles	4,432,464	(4,499,085)	(66,621)
Accounts receivable	1,329,238	58,983	1,388,221
Stock based compensation	17,124	(2,360)	14,764
Other current assets	134,546	(91,410)	43,136
Other current liabilities	21	8,407	8,428
Net deferred tax assets/(liabilities)	**5,913,393**	**(4,525,465)**	**1,387,928**

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21. Employee stock incentive plan

Dr. Reddy's Laboratories Limited (Ultimate Parent Company) issues employees stock option (ESOP) to the employees covered under various ESOP Plans managed by the Ultimate Parent Company.

For the years ended March 31, 2020 and 2019 an amount of USD 30,156 and USD 148,098 respectively, has been recorded as employee share-based payment expense under all employee stock incentive plans with a corresponding credit to the Additional paid in capital, disclosed as part of stock holders' equity, representing capital contribution by Dr. Reddy's Laboratories Limited, the ultimate Parent Company.

22. Financial Instruments

The carrying value and fair value of financial instruments as at March 31, 2020 and March 31, 2019 were as follows:

Particulars	Note	As of			
		March 31, 2020		March 31, 2019	
		Total Carrying Value	Total Fair Value	Total Carrying Value	Total Fair Value
Assets:					
Cash and cash equivalents	10	18,667	18,667	82,911	82,911
Trade and other receivables	8	-	-	49,485,217	49,485,217
Other assets*	9	7,161,486	7,161,486	65,135,413	65,135,413
Total		**7,180,153**	**7,180,153**	**114,703,541**	**114,703,541**
Liabilities:					
Trade and other payables	13	341,274	341,274	4,668,297	4,668,297
Loans and borrowings	19	-	-	30,000,000	30,000,000
Other liabilities and provisions	12 &14	2,828,826	2,828,826	16,627,157	16,627,157
Total		**3,170,100**	**3,170,100**	**51,295,454**	**51,295,454**

***** Other assets that are not financial assets (such as prepaid expenses, advances paid and certain other receivables) of USD Nil and USD 2,258,335 as of March 31, 2020 and 2019, respectively, are not included.

***** Other liabilities that are not financial liabilities (such as refund liability and provision for vacation accruals) of USD 4,061,811 and USD 6,507,066 as of March 31, 2020 and 2019, respectively, are not included.

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23. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors are responsible for overseeing Company's risk assessment and management policies and processes.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. (Refer note 8 for provision for expected credit loss)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country, in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including time deposits with banks, were past due or impaired as at March 31, 2020. Of the total gross trade receivables (excluding chargeback and other rebates), Nil and USD 18,274,538 as at March 31, 2020 and 2019 consisted of customer balances which were neither past due nor impaired.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 20 – 180 days. The aging of trade receivables that are past due, net of allowance for doubtful receivables, is given below:

Period (in days)	Year ended	
	March 31, 2020	March 31, 2019
00-90	-	33,654,073
90-180	-	27,664
More than 180	-	162,657
Total	**-**	**33,844,393**

See Note 8 for the activity in the allowance for impairment of trade account receivables. Other than trade receivables, the Company has no class of financial assets that is past due but not impaired.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by raising additional funds from Parent Company or from Group Companies to meet the financial obligations.

As of March 31, 2020 and 2019 the Company had working capital (deficit)/surplus of USD (597,960) and USD 62,254,924 respectively. Based on operations of the Company and Parent Company's support, the Company will be able to meet capital expenditure needs and working capital requirements over the course of the next 12 months.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2020:

Particulars	2020	2021	2022	2023	Thereafter	Total
Trade and other payables	341,274	-	-	-	-	341,274
Loans and borrowings	-	-	-	-	-	-
Other liabilities and provisions	2,828,826	-	-	-	-	2,828,826
Total	**3,170,100**	**-**	**-**	**-**	**-**	**3,170,100**

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2019:

Particulars	2019	2020	2021	2022	Thereafter	Total
Trade and other payables	4,668,297	-	-	-	-	4,668,297
Loans and borrowings	30,000,000	-	-	-	-	30,000,000
Other liabilities and provisions	16,627,157	-	-	-	-	16,627,157
Total	**51,295,454**	**-**	**-**	**-**	**-**	**51,295,454**

c. Market risk

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk-sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and short term/or long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of its investments. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

Foreign exchange risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses. A significant portion of the Company's revenues are in reporting currency, USD. As a result, the Company is not exposed to significant foreign currency risk. There is no foreign currency exposure in Company.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases of active pharmaceutical ingredients, including the raw material components for such active pharmaceutical ingredients. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. The Company has historically not entered into any derivative financial instruments or futures contracts to hedge exposure to fluctuations in commodity prices.

PROMIUS PHARMA LLC
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in U.S. Dollars, except share and per share data and where otherwise stated)

24. Nature of Expense

The following table shows the expenses by nature:

Particulars	For the year ended March 31, 2020			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	-	4,981,456	297,221	5,278,677
Depreciation and amortization	-	9,409	-	9,409
	-	**4,990,865**	**297,221**	**5,288,086**

Particulars	For the year ended March 31, 2019			
	Cost of revenue	Selling, general and administrative expenses	Research and Development	Total
Employee benefits	3,867	24,404,816	(246,720)	24,161,963
Depreciation and amortization	-	1,586,625	-	1,586,625
	3,867	**25,991,441**	**(246,720)**	**25,748,588**

25. Impact of COVID-19:

The threats posed by the coronavirus outbreak are multifold. In many countries, businesses are being forced to cease or limit their operations for long or indefinite period of time. As a result most of the businesses are dealing with lost revenue and disrupted supply chains. The disruption to global supply chains due to factory shutdowns has already exposed the vulnerabilities of many organizations.

However, as the Company operates in the industry that is considered essential, the operations were continuing during lockdown by ensuring appropriate measures.

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of receivables and other assets. For this purpose, the Company considered internal and external sources of information up to the date of approval of these financial statements. The Company has also used the principles of prudence in applying estimates and assumptions including sensitivity analysis and based on the current estimates, the Company expects to fully recover the carrying amount of receivables and other assets. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

26. Subsequent events

There are no singificant events that occurred after balance sheet date.

A. Ramachandra Rao & Co.
Chartered Accountants

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Flat No. 302, A-Block, Kushal Towers
Khairtabad, Hyderabad- 500 004.

Tel: 040-27633677
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REVIEW REPORT ON THE UNAUTIED FINANCIAL STATEMENTS OF REDDY ANTILES N.V. FOR THE PERIOD FROM 1.1.2019 TO 2.11.2019

Report on the Financial Statements

We have reviewed the accompanying financial statements of **Reddy Antiles NV**, which comprise the **Balance Sheet as at 2nd November 2019**, and the Statement of Profit and Loss and Cash Flow Statement for the period starting **from 1st January 2019 to 2nd November 2019**, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Accounting Standards referred to in the Companies Act, 2013 (the Act) and other accounting principles generally accepted in India, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financialstatements. We conducted our review in accordance with Standard on Review Engagements (SRE) 2400 (Revised), Engagements to Review Historical Financial Statements. SRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with SRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.



A. Ramachandra Rao & Co.
Chartered Accountants

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not give a true and fair view of (or present fairly, in all material respects,) the financial position of **Reddy Antiles NV as at 2nd November 2019**, and of its financial performance and cash flows for the period starting **1st January 2019 to 2nd November 2019**, in accordance with the Accounting Standards referred to in the Companies Act, 2013 and other accounting principles generally accepted in India.

This certificate is issued on the request of Dr Reddy's Laboratories Limited for submission to RBI in terms of the extant FEMA Regulations as part of the ODI Form (complying with the Annual Performance Report requirements).

For M/s A Ramachandra Rao & Co
Chartered Accountants
Firm's Registration Number ICAI 002857S

S R V V Surya Rao Ponnada
Partner
Membership No.202367
Dated:26.05.2020

A. Ramachandra Rao & Co. HYDERABAD ICAI FRN:002857S Chartered Accountants

UDIN: **20202367AAABFL8009**

Date: 26.05.2020

Reddy Antilles N.V.
Balance Sheet

Particulars	Note	As at 02 November 2019 Amount in US $('000)	As at 02 November 2019 Amount in INR('000)	As at 31 December 2018 Amount in US $('000)	As at 31 December 2018 Amount in INR('000)
ASSETS					
Non current assets					
Financial Assets					
Investments	2.1	-	-	-	-
Loans and advances	2.2	-	-	-	-
		-	-	-	-
Current assets					
Financial Assets					
Cash and Cash Equivalents	2.3	416	29,461	2	147.89
Other current assets	2.4	-	-	706	49,953
		416	**29,461**	**708**	**50,101**
	TOTAL	**416**	**29,461**	**708**	**50,101**
EQUITY AND LIABILITIES					
Equity					
Equity share capital	2.5	6,342	4,48,760	1,151	81,445
Other equity					
Retained earnings	2.6	(5,971)	(4,22,454)	(5,910)	(4,18,180)
Total equity		**371**	**26,306**	**(4,759)**	**(3,36,735)**
Share Application money pending allotment			-		-
Non current liabilities					
Financial Liabilities					
Borrowings	2.7	-	-	5,195	3,67,585
		-	-	**5,195**	**3,67,585**
Current liabilities					
Financial Liabilities					
Other current financial liabilities	2.8	35	2,477	271	19,181
Other current liabilities	2.9	10	679	1	71
		45	**3,155**	**272**	**19,252**
	TOTAL	**416**	**29,461**	**708**	**50,101**
Significant accounting policies	1				

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

P S R V V Surya Rao
Partner
Membership No 202367

Place: Hyderabad
Date:

for and on behalf of the Board of Directors

Satish Reddy
Director

Reddy Antilles N.V.
Statement of Profit and Loss

Particulars	Note	For the period ended 02 November 2019		For the year ended 31 December 2018	
		Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Continuing operations					
Revenue from operations		-	-	-	-
Other Income	2.10	32	2,264	-	-
Total Income		32	2,264	-	-
Expenses					
Other expenses	2.11	93	6,573	4,071	2,83,249
Total expenses		93	6,573	4,071	2,83,249
Profit / (Loss) before tax		(61)	(4,309)	(4,071)	(2,83,249)
Income tax expense		-	-	-	-
Loss for the period		(61)	(4,309)	(4,071)	(2,83,249)
Earnings per share					
Basic - Par value USD 1 per share		(0.01)	(0.68)	(3.60)	(250.30)
Diluted - Par value USD 1 per share		(0.01)	(0.68)	(3.60)	(250.30)
Number of shares used in computing earnings per share					
Basic		63,42,047	63,42,047	11,31,646	11,31,646
Diluted		63,42,047	63,42,047	11,31,646	11,31,646
Significant accounting policies	1				

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date:

for and on behalf of the Board of Directors

Satish Reddy
Director

Reddy Antilles N.V.
Cash Flow Statement

	For the year ended 02 November 2019		For the year ended 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Cash flows from / (used in) operating activities				
Profit / (Loss) before taxation	(61)	(4,309)	(4,071)	(2,88,053)
Adjustments:				
Less: Loss on sale of investment	-	-	3,351	2,37,097
Operating cash flows before working capital changes	**(61)**	**(4,309)**	**(720)**	**(50,956)**
Changes in operating assets and liabilities				
Other assets and liabilties, net	478	33,855	99	7,005
Cash used in operations	**418**	**29,546**	**(621)**	**(43,951)**
Income taxes paid, net	-	-	-	-
Net cash used in operating activities	**418**	**29,546**	**(621)**	**(43,951)**
Cash flows from / (used in) investing activities				
(Purchase)/Sale of investments	-	-	-	-
Loans and advances repaid by holding company and other group companies, net	-	-	602	42,598
Net cash from investing activities	-	-	**602**	**42,598**
Cash flows from / (used in) financing activities				
Equity investment	5,191	3,67,315	-	-
Proceeds from long term borrowings	(5,195)	(3,67,585)	1	57
Net cash used in financing activities	**(4)**	**-269**	**1**	**57**
Net increase / (decrease) in cash and cash equivalents	414	29,275	(18)	(1,298)
Cash and cash equivalents at the beginning of the year	2	148	20	1,415
Cash and cash equivalents at the end of the period	**416**	**29,423**	**2**	**117**
Notes to the cash flow statement:				
Cash and cash equivalents at the end of the year	416	29,423	2	148
Cash and bank balances at the end of the period	**416**	**29,423**	**2**	**148**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

P S R V V Surya Rao
Partner
Membership No 202367

Place: Hyderabad
Date:

for and on behalf of the Board of Directors

Satish Reddy
Director

Reddy Antilles N.V.
Statement of Changes in Equity as on 02 Nov 2019

Particulars	Share Capital			Retained Earnings		Total Equity	
	No of Shares	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Balance as of 1 Jan 2018	**11,31,646**	**1,151**	**81,445**	**(1,839)**	**(1,30,128)**	**(688)**	**(48,683)**
Profit for the period				(4,071)	(2,88,053)	(4,071)	(2,88,053)
Balance as of 31 Dec 2018	**11,31,646**	**1,151**	**81,445**	**(5,910)**	**(4,18,180)**	**(4,759)**	**(3,36,735)**
Additional Capital	**52,10,401**	5,191	3,67,315			5,191	3,67,315
Profit for the period				(61)	(4,274)	(61)	(4,274)
Balance as of 02 Nov 2019	**63,42,047**	**6,342**	**4,48,760**	**(5,971)**	**(4,22,454)**	**371**	**26,306**

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

P S R V V Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date:

for and on behalf of the Board of Directors

Satish Reddy
Director

Reddy Antilles N.V.
Significant Accounting Policies

Note 1: Significant Accounting Policies & Notes to Accounts:

Basis of preparation of financial statements :

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.
All the amounts presented in Indian Rupees in these financial statements have been derived on the basis of convenience translation rate (U.S. dollars to Indian rupees) of U.S.$1.00 = Rs.70.76

Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Current and non-current classification

All the assets and liabilities have been classified as current or noncurrent as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realised within twelve months after the reporting date; or
d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the reporting date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current asset / liabilities include the current portion of non current asset / liabilities respectively. All other asset / liabilities are classified as non current.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell

Financial liabilities

Financial liabilities are classified, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Reddy Antilles N.V.
Significant Accounting Policies

Investments in Subsidiaries:
Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries , the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.
Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Income tax
Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Inventories
Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

Foreign currencies
Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.
When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Property, plant and equipment
Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.
Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation
Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not subject to depreciation.
Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Reddy Antilles N.V.
Significant Accounting Policies

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 30 years
- Ancillary structures	3 - 10 years
Plant and machinery	5 - 10 years
Furniture, fixtures and office equipment	3 - 8 years
Vehicles	4 - 5 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the statement of financial position, with a corresponding credit to the specific expense for which the

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Going Concern

In the Extraordinary General Meeting of shareholders held on 01 November 2019 it was decided to liquidate the company as on 02 November 2019.

Hence the liquidation financials are prepared.

Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

Reddy Antilles N.V.
Notes to Financial Statements

Note 2: Notes to financial statements

Financial Assets

2.1 : Investments

	As at 02 November 2019		As at 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Investments carried at cost				
In Subsidiary Companies				
Eurobridge Consulting B.V. *(82,000 shares of EUR 10 each)*	-	-	-	-
	-	-	-	-

2.2 : Long term loans and advances

	As at 02 November 2019		As at 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Unsecured				
Considered good				
Loans and advances to holding company and other group companies	-	-	514	35,764
Less: Provision on advances	-	-	(514)	(35,764)
	-	-	-	-

2.3 : Cash and Cash Equivalents

	As at 02 November 2019		As at 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Balances with banks:				
In current accounts	416	29,461	2	148
	416	29,461	2	148

2.4 : Other Current Assets

	As at 02 November 2019		As at 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Unsecured				
Considered good				
Advances to material suppliers	-	-	15	1,061
Other advances	-	-	42	2,997
Receivable from group company on sale of Eurobridge Consulting B.V.	-	-	649	45,894
	-	-	706	49,953

Reddy Antilles N.V.
Notes to Financial Statements

Note 2: Notes to financial statements (continued)

2.5 : Share capital

	As at 02 November 2019		As at 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Authorised Share Capital				
6,342,047 shares (Previous year : 1,131,646) of USD 1 each	6,342	4,48,760	1,151	81,445
Issued equity capital				
6,342,047 shares (Previous year : 1,131,646) of USD 1 each	6,342	4,48,760	1,151	81,445
Subscribed and fully paid-up				
6,342,047 shares (Previous year : 1,131,646) of USD 1 each	6,342	4,48,760	1,151	81,445
	6,342	4,48,760	1,151	81,445

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 02 November 2019			As at 31 December 2018		
	No. of equity shares	Amount(US $)	Amount(INR)	No. of equity shares	Amount(US $)	Amount(INR)
Number of shares outstanding at the beginning of the year	11,31,646	1,151	81,445	11,31,646	1,151	81,445
Shares issued during the year	52,10,401	5,191	3,67,315	-	-	-
Number of shares outstanding at the end of the year	63,42,047	6,342	4,48,760	11,31,646	1,151	81,445

(b) Terms/rights attached to equity shares
The company has only one class of equity shares having a par value of U S $ 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 02 November 2019		As at 31 December 2018	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	63,42,047	100	11,31,646	100

Other Equity

2.6 : Retained Earnings

	As at 02 November 2019		As at 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Surplus / (Deficit)				
Balance at the beginning of the year	(5,910)	(4,18,180)	(1,839)	-1,30,127 64
Add: Current year loss	(61)	(4,309)	(4,071)	(2,88,053)
Balance carried forward	(5,971)	(4,22,489)	(5,910)	(4,18,180)
	(5,971)	(4,22,489)	(5,910)	(4,18,180)

Financial Liabilities

2.7 : Borrowings

	As at 02 November 2019		As at 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Long term borrowings from holding company and other group	-	-	5,195	3,67,585
	-	-	5,195	3,67,585

Note 2: Notes to financial statements (continued)

2.8 : Other current financial liabilities

	As at 02 November 2019		As at 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Due to holding company and other group companies	35	2,477	271	19,183
	35	2,477	271	19,183

2.9 : Other Current Liabilities

	As at 02 November 2019		As at 31 December 2018	
	Amount in US $('000)	Amount in INR('000)	Amount in US $('000)	Amount in INR('000)
Income tax payable	-	-	1	71
Other liabilities	10	679	-	-
	10	679	1	71

Reddy Antilles N.V.
Notes to Financial Statements

Note 2: Notes to financial statements (continued)

2.10 : Other Income

	For the period ended 02 November 2019		For the year ended 31 December 2018	
	Amount in US $ ('000)	Amount in INR ('000)	Amount in US $ ('000)	Amount in INR ('000)
Foreign exchange gain, net	32	2,264	-	-
	32	2,264	-	-

2.11 : Other expenses

	For the period ended 02 November 2019		For the year ended 31 December 2018	
	Amount in US $ ('000)	Amount in INR ('000)	Amount in US $ ('000)	Amount in INR ('000)
Legal and professional	26	1,849	16	1,119
Liquidation Charges	3	202	-	-
Other general expenses	7	464	4	258
Foreign exchange loss, net	-	-	187	13,211
Provision/Write off for advances	57	4,059	514	36,368
Loss on Sale of Investments	-	-	3,351	2,37,097
	93	6,573	4,071	2,88,053

2.12 : Commitments and contingent liabilities
There were no commitments or contingent liabilities as at 02 November 2019 (previous year: Nil)

2.13 : Related party disclosures

a The Company has the following related party transactions:

	Particulars	For the period ended 02 November 2019		For the year ended 31 December 2018	
		Amount in US $ ('000)	Amount in INR ('000)	Amount in US $ ('000)	Amount in INR ('000)
i.	**Other assets - Funds received**				
	Dr Reddy's Research & Development B.V.	680	48,117	-	-
ii	**Sale of Investment :**				
	Dr Reddy's Research & Development B.V.	-	-	649	45,894
iii	**Repayment of Other Current Liabilities**				
	Dr. Reddy's Laboratories Limited	231	16,346	-	-
iv	**Loan to Equity Conversion**				
	Dr. Reddy's Laboratories Limited	5,191	3,67,315	-	-

b The Company has following amounts due from / to related parties:

	Particulars	As at 02 November 2019		As at 31 December 2018	
		Amount in US $ ('000)	Amount in INR ('000)	Amount in US $ ('000)	Amount in INR ('000)
i.	**Due from holding company and other group companies (included in long term loans and advances and other assets):**				
	Reddy Netherlands B V	-	-	-	-
	OOO DRS LLC	-	-	-	-
	Dr Reddy's Research & Development B.V	-	-	649	45,894
ii.	**Due to holding company and other group companies (included in long term borrowings and other current liabilities):**				
	Dr. Reddy's Laboratories Limited	35	2,477	5,466	3,86,767

2.14 : In the Extraordinary General Meeting of shareholders held on 01 November 2019 it was decided to liquidate the company as on 02 November 2019.

2.15 The Company, incorporated in Netherlands, is a 100% subsidiary of Dr. Reddy's Laboratories Limited

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

P S R V V Surya Rao
Partner
Membership No 202367

Place: Hyderabad
Date:

for and on behalf of the Board of Directors

Satish Reddy
Director

Bernhard Hall

Digital unterschrieben von
Bernhard Hall
Datum: 2020.05.15
11:36:38 +02'00'

WIRTSCHAFTSPRÜFUNG Hall

Reddy Holding GmbH,
Augsburg

Report on the voluntary audit of the
annual financial statements as at March 31, 2020

Auditor
Bernhard Hall
Eberlestrasse 27
86157 Augsburg

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List of abbreviations

Company	Reddy Holding GmbH
HGB	Handelsgesetzbuch (German Commercial Code)
HR	Handelsregister (German Commercial Register)
IDW	Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf
IDW PS 400 (Revised)	IDW Audit Standard "Formation of an auditor's opinion and issue of an audit report"
IDW PS 450 (Revised)	IDW Audit Standard "Principles of proper preparation of audit reports"
ICS	Internal control system
AS	Auditing standard
k€	Thousands of euros
PY	Prior year

A. Audit mandate

The Management Board of Reddy Holding GmbH, Augsburg, Germany – hereinafter also referred to as "Reddy Holding" or "Company" – has commissioned me to audit the annual financial statements as at March 31, 2020, including the underlying accounting practices, for compliance with professional principles, and to report on the results of my audit in writing.

The audit mandate was issued to me by the Management Board on February 17, 2020.

The Company is to be classified as a small company in accordance with the criteria set out in section 267, para. 1 HGB and is therefore not subject to audit pursuant to section 316 et seq. HGB. However, a voluntary audit of the financial statements is to be carried out.

I confirm, in accordance with section 321, para. 4a HGB, that I have observed the applicable rules on independence in carrying out my audit of the financial statements.

In the following report, which was prepared in accordance with the principles of proper preparation of audit reports (IDW PS 450 (Revised)), I report on the nature, extent and results of my audit.

In Section B, the report provides in advance my opinion on the Management Board's assessment.

The audit procedure and audit results are described in detail in Sections C and D. The audit report with unmodified auditor's opinion issued on the basis of the audit is set forth in Section E.

I have attached the audited financial statements, consisting of the balance sheet (Annex 1), the income statement (Annex 2) and the notes to the financial statements (Annex 3) to my report.

The "General Conditions of Contract for Auditors and Auditing Companies dated January 1, 2017" that have been agreed upon and that are annexed to this report form the basis for the execution of the mandate and my responsibility, including in relation to third parties.

B. Basic determinations

Opinion on the assessment of the Management Board

In principle, the CEO must assess the economic situation of the Company in the management report. Small capital companies are not under a legal obligation to draw up a management report. Nor has the Management Board voluntarily prepared a management report. Consequently, as a statutory auditor, I do not have any obligation to comment on the assessment of the Company's situation by the legal representatives, as would otherwise be expressed in the management report.

C. Object, nature and scope of the audit

The object of the audit included the accounting and annual financial statements as at March 31, 2020 (Annexes 1 to 3), and compliance with the relevant legal requirements regarding the accounting and the supplementary provisions of the articles of association.

Verification of compliance with other legal provisions only falls within the scope of the statutory audit to the extent that these other provisions normally impact the annual financial statements. In this respect, a review of the nature and appropriateness of the insurance coverage, in particular whether all risks were taken into account and sufficiently insured, was not included in my audit mandate.

The Management Board of the Company is responsible for the accounting and the preparation of the financial statements as well as the information provided to me. My task is to assess the documents submitted by the Management Board and the information provided in the context of my audit.

I conducted the audit work in the offices of the Company in Augsburg and at my office in Augsburg in April and May 2020. The audit report was then finalized. I did not carry out a preliminary audit this year because the volume of business hardly differs from the previous year.

The starting point for my audit was the annual financial statements prepared by the Company as at March 31, 2020. The annual financial statements as at March 31, 2019, were adopted as such by the shareholders' resolution of May 9, 2019.

I used the accounting records, the receipts and the files and documents of the Company as audit documents.

All information, explanations and documentary evidence requested by me have been willingly provided by the Management Board and the employees appointed to provide information. In addition to this, the Management Board has confirmed to me in the declaration of completeness that is standard for the profession that the accounts and the annual financial statements to be audited incorporate all assets, obligations, risks and accruals that are subject to accounting, including all expenses and income, that all necessary information has been provided and that all existing contingent liabilities have been disclosed to me. There were no significant events that occurred after the end of the fiscal year according to the information in the notes and none became known to me during my audit.

I conducted my audit of the financial statements in accordance with section 316 et seq. HGB and the generally accepted standards in Germany for the audit of financial statements set out by the IDW. Accordingly, I have planned and performed my audit with an orientation towards problems – but without any special focus on auditing for embezzlement – in such a way that irregularities and statutory violations materially affecting the presentation of the Company's net assets, financial position and results of operations in the annual financial statements in accordance with standard accounting practices could have been detected with reasonable assurance.

The audit included assessing the accounting principles used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the annual financial statements.

The audit was based on planning of the audit focal areas, taking into account my preliminary assessment of the Company's situation and an assessment of the effectiveness of the accounting-related internal control system (risk-oriented audit approach). The assessment was based in particular on findings related to the legal and economic framework conditions. Industry risks, corporate



strategy and the resulting business risks are known from discussions with the Management Board and employees of the Company.

The risk areas identified in the audit planning resulted in the following focal areas of the audit:

- Audit of receivables from and liabilities to affiliated companies;
- Valuation of tax provisions.

On the basis of a provisional assessment of the internal control system (ICS), I have followed the principles of materiality and economic efficiency when defining the further audit procedures. The audit of the structure of the ICS was intended to ensure, in particular, the rules governing the regularity and reliability of the Company's accounts, the continued existence of the Company and the preservation of existing assets, including preventing or exposing asset misappropriation.

Both the analytical audit procedures and the individual case studies were therefore carried out on the basis of selected samples, taking into account the importance of the audit areas, the organization of the accounting and the findings of the audit of the ICS. The samples were consciously selected in such a way as to take account of the economic importance of the individual items in the annual financial statements and to enable adequate auditing for compliance with statutory accounting requirements.

To audit the Company's assets and liabilities, I have obtained, among other things, a confirmation from the bank with which the Company has business relations.

D. Findings and notes on accounting

I. Regularity of accounting

1. Accounting records and other audited documents

The accounting (financial and asset accounting records) as well as the preparation of the annual financial statements of the Company are carried out by employees of the Company. The Company uses the programs of SAP in this process. Payroll accounting has been outsourced to an external service provider.

The accounting-related internal control system set up by the Company provides rules for the organization and control of work processes that are appropriate to the business purpose and scope. The accounting procedures did not undergo any significant organizational changes during the reporting period.

The organization of the accounting records system and the accounting-related internal control system make possible the complete, accurate, timely and orderly recording and booking of business transactions. The chart of accounts is adequately structured, and the document system is clearly organized. The books were appropriately opened with the figures from the previous year's balance sheet and were altogether kept properly during the entire fiscal year.

The information obtained from the other audited documents resulted in the proper presentation in the accounting records and the annual financial statements.

Overall, it can be stated that the accounting records and the other audited documents comply in all material respects with legal requirements, including the principles of proper accounting and the supplementary provisions of the articles of association. The audit revealed no issues.

2. Annual financial statements

The present annual financial statements as at March 31, 2020, were drawn up in accordance with the provisions of German commercial law and the supplementary provisions of the articles of association. Partial use was made of the size-dependent simplifications for the preparation of annual financial statements.

The balance sheet and income statement are properly derived from the accounting records and other documents that were audited. The classification of the balance sheet is based on the provisions of section 266, para. 2 and 3 HGB. The income statement was prepared in accordance with section 275, para. 2 HGB using the total cost (nature of expense) method. If there are optional presentation methods in the balance sheet or the income statement, the corresponding disclosures are largely made in the notes.

The accounting and valuation methods applied to the balance sheet and the income statement are adequately explained in the notes prepared by the Company. All individual disclosures required by law as well as the optional disclosures on the balance sheet and the income statement, which are included in the notes, are completely and accurately presented.

The annual financial statements thus comply in all material respects with legal requirements, including the principles of proper accounting and the supplementary provisions of the articles of association. The audit revealed no issues.

II. Overall presentation of the annual financial statements

1. Determinations of the overall presentation of the annual financial statements

Based on the findings of my audit, the annual financial statements as a whole, i.e. as an overall presentation of the annual financial statements – as determined by the combination of the balance sheet, the income statement and the notes to the financial statements – give a true and fair view of the Company's net assets, financial position and results of operations in accordance with the principles of proper accounting.

2. Significant valuation policies and changes to those policies

The following accounting and valuation methods were used in preparing the annual financial statements of the Company:

- Accounting and valuation are carried out under the assumption of continuation of the business activities;
- A tax audit for the four fiscal years 2014, 2015, 2016 and 2017 commenced in the current fiscal year. The Company was informed of the preliminary findings of the tax audit by means of a letter dated March 31, 2020. The Management Board of the Company and the Company's tax advisors are of the opinion that it is not possible to make a reliable assessment of the tax risk at the current reporting date and prior to a meeting with the auditor.

The accounting and valuation policies were unchanged from the prior year. In addition, please see the explanations in the notes to the financial statements.

3. Measures influencing individual items

The findings of my audit did not reveal any reportable facts resulting from substantive measures in the audit period with a significant impact on the overall presentation of the annual financial statements.

4. Classifications and notes

The main items in the balance sheet and the income statement are broken down and explained below.

Decline in overall performance and net income

The overall performance is as follows:

	2019/20		2018/19		Change	
	k€	%	k€	%	k€	%
Sales revenues	1,918	99.2	1,919	94.2	-1	-0.1
Other operating income	15	0.8	118	5.8	-103	-87.3
Overall performance	1,933	100.0	2,037	100.0	-104	-5.1

Sales revenues include the management fee for the Company's services that are provided to subsidiaries. The Company provides services in the areas of finance, accounting, information technology, human resources, legal advice, administration and management.

Other operating income is mainly attributable to income from other accounting periods due to the release of other provisions (€15,000; prior year: €118,000).

The reconciliation of the overall performance to net income is shown below.

	2019/20		2018/19		Change	
	k€	%	k€	%	k€	%
Overall performance	1,933	100.0	2,037	100.0	-104	-5.1
Personnel expense	-970	-50.2	-979	-48.1	9	0.9
Other operating expenses	-463	-24.0	-352	-17.3	-111	-31.5
Income from profit transfers	29,439	> 100.0	9,553	> 100.0	19,886	208.2
Net interest	-1,386	-71.7	-866	-42.5	-520	-60.0
Tax expense	-8,933	> 100.0	-2,601	> -100.0	-6,332	-243.4
Net income	19,620	> 100.0	6,792	> 100.0	12,828	>100

The net income for the year is significantly influenced by the profit transfer of betapharm Arzneimittel GmbH. Fiscal unity exists with this subsidiary, which means that the income from the profit transfer is taxable at the level of Reddy Holding. Personnel expense and other operating expenses include the administrative costs relating to the administration of the shareholding.



Increase in balance sheet total and improvement in equity ratio

The increase in the balance sheet total to €194,786,000 is attributable to the net profit for the year generated in the current fiscal year.

The equity ratio was increased this year. As a result, the Company's assets are mainly financed by equity. Provisions primarily include tax provisions for the current fiscal year. For fiscal years 2017/18 and 2018/19, tax receivables of €849,000 exist from the tax authorities. These are reported under receivables. The liabilities comprise obligations to betapharm Arzneimittel GmbH, resulting from loans including interest (€50,097,000) and from input tax to be refunded (€737,000). The bank loan included in liabilities in the previous year has been repaid in full.

	March 31, 2020		March 31, 2019		Change	
	k€	%	k€	%	k€	%
Equity	137,919	70.8	118,299	62.5	19,620	16.6
Provisions	6,019	3.1	306	0.2	5,713	> 100.0
Liabilities	50,848	26.1	70,760	37.4	-19,912	-28.1
Balance sheet total	194,786	100.0	189,365	100.0	5,421	2.9

Composition of assets

	March 31, 2020		March 31, 2019		Change	
	k€	%	k€	%	k€	%
Fixed assets	187,100	96.1	187,100	98.8	0	0.0
Receivables, bank balances	7,686	3.9	2,265	1.2	5,421	> 100.0
Balance sheet total	194,786	100.0	189,365	100.0	5,421	2.9

The fixed assets relate to the 100% stake in betapharm Arzneimittel GmbH amounting to €187,000,000 and the 100% stake in beta Institut gGmbH amounting to €100,000.

The receivables include a claim against betapharm Arzneimittel GmbH resulting from profit transfer for the 4th quarter of 2019/20 (€5,906,000). Tax refund claims from sales tax (€740,000) and income tax (€849,000) are also reported.

E. Presentation of the audit report and auditor's opinion

After the conclusion of my audit, I have issued the following unqualified audit report on the annual financial statements as at March 31, 2020 (Annexes 1 to 3) of Reddy Holding GmbH, Augsburg, Germany, dated May 14, 2020, which is reproduced here:

"Audit report of the independent auditor

To Reddy Holding GmbH

Auditor's opinion

I have audited the annual financial statements of Reddy Holding GmbH, comprising the balance sheet as at March 31, 2020 and the income statement for the fiscal year from April 1, 2019 to March 31, 2020 and the notes to the financial statements, together with a description of the accounting policies used.

In my opinion, based on the findings of my audit, the accompanying financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as at March 31, 2020 and of its results of operations for the fiscal year from April 1, 2019 to March 31, 2020 in accordance with the German principles of proper accounting.

Pursuant to section 322, para. 3, sentence 1 HGB, I declare that my audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the auditor's opinion

I conducted my audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). My responsibility under these requirements and standards is described in greater detail in the "Auditor's responsibility for the audit of the annual financial statements" section of my audit report. I am independent of the Company in accordance with the requirements of German commercial and professional law, and have fulfilled my other German professional responsibilities in accordance with these requirements. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my auditor's opinion on the annual financial statements.

Management's responsibility for the annual financial statements

Management is responsible for preparing the annual financial statements in compliance, in all material respects, with the requirements of German commercial law applicable to corporations and for ensuring that the annual financial statements give a true and fair view of the Company's net assets, financial position and results of operations in accordance with the German principles of proper accounting. In addition, management is responsible for such internal controls as they have determined necessary in accordance with the German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, except to the extent that this is contrary to fact or law.

Responsibility of the auditor for the audit of the annual financial statements

My objective is to obtain reasonable assurance that the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my auditor's opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of the internal control system relevant to the audit of the annual financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify my respective auditor's opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- assess the overall presentation, the structure and the content of the annual financial statements including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the German principles of proper accounting.

I discuss with those charged with governance, amongst other aspects, the planned scope and scheduling of the audit and significant audit findings, including any deficiencies in the internal control system that I identify during my audit."

I make the above audit report concerning Reddy Holding GmbH in accordance with the legal provisions and the principles of proper reporting for audits of financial statements.

Any use of the above-mentioned auditor's opinion outside this audit report requires my prior consent. In the event of publications or dissemination of the financial statements in a form deviating from the confirmed version (including translation into other languages), it is first necessary to obtain my opinion again if my audit report is cited or reference is made to my audit; please see section 328 HGB.

Augsburg, May 14, 2020



Bernhard Hall
Auditor

ANNEXES

Reddy Holding GmbH, Augsburg

Assets

	Notes	March 31, 2020	March 31, 2019
		EUR	EUR
A. Fixed assets			
I. Financial assets			
Shares in affiliated companies		187,100,000.00	187,100,000.00
		187,100,000.00	187,100,000.00
B. Current assets			
I. Receivables and other assets	II.1		
1. Receivables from affiliated companies	II.2+3	5,905,730.09	1,049,337.53
2. Other assets		1,593,109.45	1,045,649.22
		7,498,839.54	2,094,986.75
II. Cash and bank balances		186,945.89	170,145.07
		7,685,785.43	2,265,131.82
Total assets		194,785,785.43	189,365,131.82

Liabilities

	Notes	March 31, 2020	March 31, 2019
		EUR	EUR
A. Equity			
I. Subscribed capital		27,000.00	27,000.00
II. Capital reserve		300,000,000.00	300,000,000.00
III. Loss carry-forward		-181,727,537.26	-188,519,249.19
IV. Net income		19,620,003.75	6,791,711.93
		137,919,466.49	118,299,462.74
B. Provisions			
1. Tax provisions		5,650,970.60	0.00
2. Other provisions		367,777.96	305,637.14
		6,018,748.56	305,637.14
C. Liabilities	II.4		
1. Liabilities to financial institutions		0.00	42,059,535.00
2. Trade payables		240.00	0.00
3. Liabilities to affiliated companies	II.5	50,833,577.54	28,683,625.67
4. Other liabilities	II.6	13,752.84	16,871.27
		50,847,570.38	70,760,031.94
Total liabilities		194,785,785.43	189,365,131.82

Reddy Holding GmbH, Augsburg

Income statement for the period
from April 1, 2019 to March 31, 2020

	Notes	2019/2020	2018/2019
		EUR	EUR
1. Sales revenues		1,918,000.08	1,919,275.14
2. Other operating income		15,317.46	117,997.34
		1,933,317.54	2,037,272.48
3. Personnel expense			
a) Wages and salaries		-805,621.06	-818,377.34
b) Social security payments		-164,801.17	-160,228.39
4. Other operating expenses		-463,509.29	-352,131.15
5. Income from profit transfers		29,439,277.17	9,552,550.62
6. Other interest and similar income		0.00	0.00
7. Interest and similar expenses	II.7	-1,385,897.65	-865,770.24
8. Taxes on income		-8,932,633.20	-2,601,342.49
9. Earnings after taxes		19,620,132.34	6,791,973.49
10. Other taxes		-128.59	-261.56
11. Net income		19,620,003.75	6,791,711.93

NOTES TO THE FINANCIAL STATEMENTS
for fiscal year 2019/2020

I. General comments on accounting and valuation methods

The accounting and valuation methods used are explained below.

I.1 Financial assets are recognized at cost less impairment charges due to expected permanent impairment.

I.2 Receivables and other assets are recognized at nominal value, taking into consideration all identifiable risks.

I.3 Cash balances at financial institutions are recognized at nominal value.

I.4 Equity capital is recognized at nominal value.

I.5 Other provisions are recognized at the settlement amounts deemed necessary on the basis of a reasonable commercial assessment and taking into consideration all identifiable risks.

A tax audit for the four fiscal years 2014, 2015, 2016 and 2017 commenced in the current fiscal year. The Company was informed of the preliminary findings of the tax audit by means of a letter dated March 31, 2020. The Management Board of the Company and the Company's tax advisors are of the opinion that it is not possible to make a reliable assessment of the tax risk at the current reporting date and prior to a meeting with the auditor.

I.6 Liabilities are recognized at their settlement amount.

II. Notes to the balance sheet and income statement

II.1 All receivables are due within one year.

II.2 Receivables from affiliated companies mainly comprise entitlements to profit transfer from a subsidiary.

II.3 Fiscal unity exists with the subsidiary betapharm Arzneimittel GmbH.

II.4 The liabilities total €50,847,570 (prior year: €70,760,032). These include €50,847,570 that are due within a year (prior year: €70,760,032) and €0 that are due within between one and five years (prior year: €0). There are no liabilities with a remaining term of more than five years.

II.5 Liabilities to affiliated companies include liabilities to shareholders in the amount of €0 (prior year: €0).

II.6 Other liabilities include liabilities for taxes in the amount of €13,753 (prior year: €13,611).

II.7 Interest expenditure includes interest paid to affiliated companies in the amount of €1,319,274 (prior year: €519,665).

III. Other notes

III.1 Reddy Holding GmbH with head office in Augsburg, Germany, is registered with the Augsburg District Court under HRB 21913. The Company is classified as a small capital company under section 267, para. 1 HGB.

III.2 Dr. Reddy's Laboratories Limited, Hyderabad, India, prepares the consolidated financial statements for the largest and smallest scope of consolidation. The consolidated financial statements drawn up in accordance with IFRS accounting principles as at March 31, 2020 are disclosed to the Securities and Exchange Commission (SEC), Washington, USA.

III.3 Reddy Holding GmbH is incorporated in the consolidated financial statements of Dr. Reddy's Laboratories Limited. Reddy Holding GmbH is exempt from the preparation of consolidated financial statements and a group management report and avails itself of this simplification provision. The exempting consolidated financial statements and the exempting group management report have been prepared in accordance with the international accounting standards referred to in section 315a, para. 1 HGB. The relevant accounting, valuation and consolidation methods in the exempting consolidated financial statements differ only immaterially from those in German law.

III.4 An average of 13 persons were employed during the fiscal year (prior year: 13).

III.5 There were no significant events that occurred after the end of the fiscal year and were not taken into account in either the income statement or the balance sheet.

The spread of the coronavirus and the consequences for our business are being continuously monitored. Our business development is significantly influenced by the business development of betapharm Arzneimittel GmbH.

The following is written about this in the management report of betapharm Arzneimittel GmbH. The coronavirus crisis, which can affect production chains and in particular supply chains in numerous manufacturing countries,

The following is written about this in the management report of betapharm Arzneimittel GmbH. The coronavirus crisis, which can affect production chains and in particular supply chains in numerous manufacturing countries, may also have a fundamental impact, as the medium-term effects for the new fiscal year cannot be clearly predicted.

Due to the coronavirus crisis, a significant stockpiling effect has been observed for numerous pharmaceutical products in the 4th quarter of the current fiscal year, attributable to massively increased purchasing activities of public pharmacies and pharmaceutical wholesalers. It is assumed, however, that this positive effect will be neutralized in the course of the next fiscal year. Overall, a stable business development is expected for fiscal year 2020/21.

Augsburg, May 14, 2020

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Sameer Sudhkar Natu

CEO

AUDIT REPORT OF THE INDEPENDENT AUDITOR

To Reddy Holding GmbH

Auditor's opinion

I have audited the annual financial statements of Reddy Holding GmbH, comprising the balance sheet as at March 31, 2020 and the income statement for the fiscal year from April 1, 2019 to March 31, 2020 and the notes to the financial statements, together with a description of the accounting policies used.

In my opinion, based on the findings of my audit, the accompanying financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as at March 31, 2020 and of its results of operations for the fiscal year from April 1, 2019 to March 31, 2020 in accordance with the German principles of proper accounting.

Pursuant to section 322, para. 3, sentence 1 HGB, I declare that my audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the auditor's opinion

I conducted my audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW). My responsibility under these requirements and standards is described in greater detail in the "Auditor's responsibility for the audit of the annual financial statements" section of my audit report. I am independent of the Company in accordance with the requirements of German commercial and professional law, and have fulfilled my other German professional responsibilities in accordance with these requirements. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my auditor's opinion on the annual financial statements.

Management's responsibility for the annual financial statements

Management is responsible for preparing the annual financial statements in compliance, in all material respects, with the requirements of German commercial law applicable to corporations and for ensuring that the annual financial statements give a true and fair view of the Company's net assets, financial position and results of operations in accordance with the German principles of proper accounting. In addition, management is responsible for such internal controls as they have determined necessary in accordance with the German principles of proper accounting to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, except to the extent that this is contrary to fact or law.

Responsibility of the auditor for the audit of the annual financial statements

My objective is to obtain reasonable assurance that the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my auditor's opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with the generally accepted standards in Germany for the audit of financial statements set out by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the internal control system relevant to the audit of the annual financial statements in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify my respective auditor's opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

Annex 4

- assess the overall presentation, the structure and the content of the annual financial statements including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the German principles of proper accounting.

I discuss with those charged with governance, amongst other aspects, the planned scope and scheduling of the audit and significant audit findings, including any deficiencies in the internal control system that I identify during my audit.

Augsburg, May 14, 2020

DIPL.-KFM. BERNHARD HALL
WIRTSCHAFTS-PRÜFER
SIEGEL
AUGSBURG

Bernhard Hall
Auditor

Any use of the above-mentioned auditor's opinion outside this audit report requires my prior consent. In the event of publications or dissemination of the financial statements in a form deviating from the confirmed version (including translation into other languages), it is first necessary to obtain my opinion again if my audit report is cited or reference is made to my audit; please see section 328 HGB.

Allgemeine Auftragsbedingungen
für
Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften
vom 1. Januar 2017

1. Geltungsbereich

(1) Die Auftragsbedingungen gelten für Verträge zwischen Wirtschaftsprüfern oder Wirtschaftsprüfungsgesellschaften (im Nachstehenden zusammenfassend „Wirtschaftsprüfer" genannt) und ihren Auftraggebern über Prüfungen, Steuerberatung, Beratungen in wirtschaftlichen Angelegenheiten und sonstige Aufträge, soweit nicht etwas anderes ausdrücklich schriftlich vereinbart oder gesetzlich zwingend vorgeschrieben ist.

(2) Dritte können nur dann Ansprüche aus dem Vertrag zwischen Wirtschaftsprüfer und Auftraggeber herleiten, wenn dies ausdrücklich vereinbart ist oder sich aus zwingenden gesetzlichen Regelungen ergibt. Im Hinblick auf solche Ansprüche gelten diese Auftragsbedingungen auch diesen Dritten gegenüber.

2. Umfang und Ausführung des Auftrags

(1) Gegenstand des Auftrags ist die vereinbarte Leistung, nicht ein bestimmter wirtschaftlicher Erfolg. Der Auftrag wird nach den Grundsätzen ordnungsmäßiger Berufsausübung ausgeführt. Der Wirtschaftsprüfer übernimmt im Zusammenhang mit seinen Leistungen keine Aufgaben der Geschäftsführung. Der Wirtschaftsprüfer ist für die Nutzung oder Umsetzung der Ergebnisse seiner Leistungen nicht verantwortlich. Der Wirtschaftsprüfer ist berechtigt, sich zur Durchführung des Auftrags sachverständiger Personen zu bedienen.

(2) Die Berücksichtigung ausländischen Rechts bedarf – außer bei betriebswirtschaftlichen Prüfungen – der ausdrücklichen schriftlichen Vereinbarung.

(3) Ändert sich die Sach- oder Rechtslage nach Abgabe der abschließenden beruflichen Äußerung, so ist der Wirtschaftsprüfer nicht verpflichtet, den Auftraggeber auf Änderungen oder sich daraus ergebende Folgerungen hinzuweisen.

3. Mitwirkungspflichten des Auftraggebers

(1) Der Auftraggeber hat dafür zu sorgen, dass dem Wirtschaftsprüfer alle für die Ausführung des Auftrags notwendigen Unterlagen und weiteren Informationen rechtzeitig übermittelt werden und ihm von allen Vorgängen und Umständen Kenntnis gegeben wird, die für die Ausführung des Auftrags von Bedeutung sein können. Dies gilt auch für die Unterlagen und weiteren Informationen, Vorgänge und Umstände, die erst während der Tätigkeit des Wirtschaftsprüfers bekannt werden. Der Auftraggeber wird dem Wirtschaftsprüfer geeignete Auskunftspersonen benennen.

(2) Auf Verlangen des Wirtschaftsprüfers hat der Auftraggeber die Vollständigkeit der vorgelegten Unterlagen und der weiteren Informationen sowie der gegebenen Auskünfte und Erklärungen in einer vom Wirtschaftsprüfer formulierten schriftlichen Erklärung zu bestätigen.

4. Sicherung der Unabhängigkeit

(1) Der Auftraggeber hat alles zu unterlassen, was die Unabhängigkeit der Mitarbeiter des Wirtschaftsprüfers gefährdet. Dies gilt für die Dauer des Auftragsverhältnisses insbesondere für Angebote auf Anstellung oder Übernahme von Organfunktionen und für Angebote, Aufträge auf eigene Rechnung zu übernehmen.

(2) Sollte die Durchführung des Auftrags die Unabhängigkeit des Wirtschaftsprüfers, die der mit ihm verbundenen Unternehmen, seiner Netzwerkunternehmen oder solcher mit ihm assoziierten Unternehmen, auf die die Unabhängigkeitsvorschriften in gleicher Weise Anwendung finden wie auf den Wirtschaftsprüfer, in anderen Auftragsverhältnissen beeinträchtigen, ist der Wirtschaftsprüfer zur außerordentlichen Kündigung des Auftrags berechtigt.

5. Berichterstattung und mündliche Auskünfte

Soweit der Wirtschaftsprüfer Ergebnisse im Rahmen der Bearbeitung des Auftrags schriftlich darzustellen hat, ist alleine diese schriftliche Darstellung maßgebend. Entwürfe schriftlicher Darstellungen sind unverbindlich. Sofern nicht anders vereinbart, sind mündliche Erklärungen und Auskünfte des Wirtschaftsprüfers nur dann verbindlich, wenn sie schriftlich bestätigt werden. Erklärungen und Auskünfte des Wirtschaftsprüfers außerhalb des erteilten Auftrags sind stets unverbindlich.

6. Weitergabe einer beruflichen Äußerung des Wirtschaftsprüfers

(1) Die Weitergabe beruflicher Äußerungen des Wirtschaftsprüfers (Arbeitsergebnisse oder Auszüge von Arbeitsergebnissen – sei es im Entwurf oder in der Endfassung) oder die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber an einen Dritten bedarf der schriftlichen Zustimmung des Wirtschaftsprüfers, es sei denn, der Auftraggeber ist zur Weitergabe oder Information aufgrund eines Gesetzes oder einer behördlichen Anordnung verpflichtet.

(2) Die Verwendung beruflicher Äußerungen des Wirtschaftsprüfers und die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber zu Werbezwecken durch den Auftraggeber sind unzulässig.

7. Mängelbeseitigung

(1) Bei etwaigen Mängeln hat der Auftraggeber Anspruch auf Nacherfüllung durch den Wirtschaftsprüfer. Nur bei Fehlschlagen, Unterlassen bzw. unberechtigter Verweigerung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung kann er die Vergütung mindern oder vom Vertrag zurücktreten; ist der Auftrag nicht von einem Verbraucher erteilt worden, so kann der Auftraggeber wegen eines Mangels nur dann vom Vertrag zurücktreten, wenn die erbrachte Leistung wegen Fehlschlagens, Unterlassung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung für ihn ohne Interesse ist. Soweit darüber hinaus Schadensersatzansprüche bestehen, gilt Nr. 9.

(2) Der Anspruch auf Beseitigung von Mängeln muss vom Auftraggeber unverzüglich in Textform geltend gemacht werden. Ansprüche nach Abs. 1, die nicht auf einer vorsätzlichen Handlung beruhen, verjähren nach Ablauf eines Jahres ab dem gesetzlichen Verjährungsbeginn.

(3) Offenbare Unrichtigkeiten, wie z.B. Schreibfehler, Rechenfehler und formelle Mängel, die in einer beruflichen Äußerung (Bericht, Gutachten und dgl.) des Wirtschaftsprüfers enthalten sind, können jederzeit vom Wirtschaftsprüfer auch Dritten gegenüber berichtigt werden. Unrichtigkeiten, die geeignet sind, in der beruflichen Äußerung des Wirtschaftsprüfers enthaltene Ergebnisse infrage zu stellen, berechtigen diesen, die Äußerung auch Dritten gegenüber zurückzunehmen. In den vorgenannten Fällen ist der Auftraggeber vom Wirtschaftsprüfer tunlichst vorher zu hören.

8. Schweigepflicht gegenüber Dritten, Datenschutz

(1) Der Wirtschaftsprüfer ist nach Maßgabe der Gesetze (§ 323 Abs. 1 HGB, § 43 WPO, § 203 StGB) verpflichtet, über Tatsachen und Umstände, die ihm bei seiner Berufstätigkeit anvertraut oder bekannt werden, Stillschweigen zu bewahren, es sei denn, dass der Auftraggeber ihn von dieser Schweigepflicht entbindet.

(2) Der Wirtschaftsprüfer wird bei der Verarbeitung von personenbezogenen Daten die nationalen und europarechtlichen Regelungen zum Datenschutz beachten.

9. Haftung

(1) Für gesetzlich vorgeschriebene Leistungen des Wirtschaftsprüfers, insbesondere Prüfungen, gelten die jeweils anzuwendenden gesetzlichen Haftungsbeschränkungen, insbesondere die Haftungsbeschränkung des § 323 Abs. 2 HGB.

(2) Sofern weder eine gesetzliche Haftungsbeschränkung Anwendung findet noch eine einzelvertragliche Haftungsbeschränkung besteht, ist die Haftung des Wirtschaftsprüfers für Schadensersatzansprüche jeder Art, mit Ausnahme von Schäden aus der Verletzung von Leben, Körper und Gesundheit, sowie von Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen, bei einem fahrlässig verursachten einzelnen Schadensfall gemäß § 54a Abs. 1 Nr. 2 WPO auf 4 Mio. € beschränkt.

(3) Einreden und Einwendungen aus dem Vertragsverhältnis mit dem Auftraggeber stehen dem Wirtschaftsprüfer auch gegenüber Dritten zu.

(4) Leiten mehrere Anspruchsteller aus dem mit dem Wirtschaftsprüfer bestehenden Vertragsverhältnis Ansprüche aus einer fahrlässigen Pflichtverletzung des Wirtschaftsprüfers her, gilt der in Abs. 2 genannte Höchstbetrag für die betreffenden Ansprüche aller Anspruchsteller insgesamt.

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(5) Ein einzelner Schadensfall im Sinne von Abs. 2 ist auch bezüglich eines aus mehreren Pflichtverletzungen stammenden einheitlichen Schadens gegeben. Der einzelne Schadensfall umfasst sämtliche Folgen einer Pflichtverletzung ohne Rücksicht darauf, ob Schäden in einem oder in mehreren aufeinanderfolgenden Jahren entstanden sind. Dabei gilt mehrfaches auf gleicher oder gleichartiger Fehlerquelle beruhendes Tun oder Unterlassen als einheitliche Pflichtverletzung, wenn die betreffenden Angelegenheiten miteinander in rechtlichem oder wirtschaftlichem Zusammenhang stehen. In diesem Fall kann der Wirtschaftsprüfer nur bis zur Höhe von 5 Mio. € in Anspruch genommen werden. Die Begrenzung auf das Fünffache der Mindestversicherungssumme gilt nicht bei gesetzlich vorgeschriebenen Pflichtprüfungen.

(6) Ein Schadensersatzanspruch erlischt, wenn nicht innerhalb von sechs Monaten nach der schriftlichen Ablehnung der Ersatzleistung Klage erhoben wird und der Auftraggeber auf diese Folge hingewiesen wurde. Dies gilt nicht für Schadensersatzansprüche, die auf vorsätzliches Verhalten zurückzuführen sind, sowie bei einer schuldhaften Verletzung von Leben, Körper oder Gesundheit sowie bei Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen. Das Recht, die Einrede der Verjährung geltend zu machen, bleibt unberührt.

10. Ergänzende Bestimmungen für Prüfungsaufträge

(1) Ändert der Auftraggeber nachträglich den durch den Wirtschaftsprüfer geprüften und mit einem Bestätigungsvermerk versehenen Abschluss oder Lagebericht, darf er diesen Bestätigungsvermerk nicht weiterverwenden.

Hat der Wirtschaftsprüfer einen Bestätigungsvermerk nicht erteilt, so ist ein Hinweis auf die durch den Wirtschaftsprüfer durchgeführte Prüfung im Lagebericht oder an anderer für die Öffentlichkeit bestimmter Stelle nur mit schriftlicher Einwilligung des Wirtschaftsprüfers und mit dem von ihm genehmigten Wortlaut zulässig.

(2) Widerruft der Wirtschaftsprüfer den Bestätigungsvermerk, so darf der Bestätigungsvermerk nicht weiterverwendet werden. Hat der Auftraggeber den Bestätigungsvermerk bereits verwendet, so hat er auf Verlangen des Wirtschaftsprüfers den Widerruf bekanntzugeben.

(3) Der Auftraggeber hat Anspruch auf fünf Berichtsausfertigungen. Weitere Ausfertigungen werden besonders in Rechnung gestellt.

11. Ergänzende Bestimmungen für Hilfeleistung in Steuersachen

(1) Der Wirtschaftsprüfer ist berechtigt, sowohl bei der Beratung in steuerlichen Einzelfragen als auch im Falle der Dauerberatung die vom Auftraggeber genannten Tatsachen, insbesondere Zahlenangaben, als richtig und vollständig zugrunde zu legen; dies gilt auch für Buchführungsaufträge. Er hat jedoch den Auftraggeber auf von ihm festgestellte Unrichtigkeiten hinzuweisen.

(2) Der Steuerberatungsauftrag umfasst nicht die zur Wahrung von Fristen erforderlichen Handlungen, es sei denn, dass der Wirtschaftsprüfer hierzu ausdrücklich den Auftrag übernommen hat. In diesem Fall hat der Auftraggeber dem Wirtschaftsprüfer alle für die Wahrung von Fristen wesentlichen Unterlagen, insbesondere Steuerbescheide, so rechtzeitig vorzulegen, dass dem Wirtschaftsprüfer eine angemessene Bearbeitungszeit zur Verfügung steht.

(3) Mangels einer anderweitigen schriftlichen Vereinbarung umfasst die laufende Steuerberatung folgende, in die Vertragsdauer fallenden Tätigkeiten:

a) Ausarbeitung der Jahressteuererklärungen für die Einkommensteuer, Körperschaftsteuer und Gewerbesteuer sowie der Vermögensteuererklärungen, und zwar auf Grund der vom Auftraggeber vorzulegenden Jahresabschlüsse und sonstiger für die Besteuerung erforderlicher Aufstellungen und Nachweise

b) Nachprüfung von Steuerbescheiden zu den unter a) genannten Steuern

c) Verhandlungen mit den Finanzbehörden im Zusammenhang mit den unter a) und b) genannten Erklärungen und Bescheiden

d) Mitwirkung bei Betriebsprüfungen und Auswertung der Ergebnisse von Betriebsprüfungen hinsichtlich der unter a) genannten Steuern

e) Mitwirkung in Einspruchs- und Beschwerdeverfahren hinsichtlich der unter a) genannten Steuern.

Der Wirtschaftsprüfer berücksichtigt bei den vorgenannten Aufgaben die wesentliche veröffentlichte Rechtsprechung und Verwaltungsauffassung.

(4) Erhält der Wirtschaftsprüfer für die laufende Steuerberatung ein Pauschalhonorar, so sind mangels anderweitiger schriftlicher Vereinbarungen die unter Abs. 3 Buchst. d) und e) genannten Tätigkeiten gesondert zu honorieren.

(5) Sofern der Wirtschaftsprüfer auch Steuerberater ist und die Steuerberatervergütungsverordnung für die Bemessung der Vergütung anzuwenden ist, kann eine höhere oder niedrigere als die gesetzliche Vergütung in Textform vereinbart werden.

(6) Die Bearbeitung besonderer Einzelfragen der Einkommensteuer, Körperschaftsteuer, Gewerbesteuer, Einheitsbewertung und Vermögensteuer sowie aller Fragen der Umsatzsteuer, Lohnsteuer, sonstigen Steuern und Abgaben erfolgt auf Grund eines besonderen Auftrags. Dies gilt auch für

a) die Bearbeitung einmalig anfallender Steuerangelegenheiten, z.B. auf dem Gebiet der Erbschaftsteuer, Kapitalverkehrsteuer, Grunderwerbsteuer,

b) die Mitwirkung und Vertretung in Verfahren vor den Gerichten der Finanz- und der Verwaltungsgerichtsbarkeit sowie in Steuerstrafsachen,

c) die beratende und gutachtliche Tätigkeit im Zusammenhang mit Umwandlungen, Kapitalerhöhung und -herabsetzung, Sanierung, Eintritt und Ausscheiden eines Gesellschafters, Betriebsveräußerung, Liquidation und dergleichen und

d) die Unterstützung bei der Erfüllung von Anzeige- und Dokumentationspflichten.

(7) Soweit auch die Ausarbeitung der Umsatzsteuerjahreserklärung als zusätzliche Tätigkeit übernommen wird, gehört dazu nicht die Überprüfung etwaiger besonderer buchmäßiger Voraussetzungen sowie die Frage, ob alle in Betracht kommenden umsatzsteuerrechtlichen Vergünstigungen wahrgenommen worden sind. Eine Gewähr für die vollständige Erfassung der Unterlagen zur Geltendmachung des Vorsteuerabzugs wird nicht übernommen.

12. Elektronische Kommunikation

Die Kommunikation zwischen dem Wirtschaftsprüfer und dem Auftraggeber kann auch per E-Mail erfolgen. Soweit der Auftraggeber eine Kommunikation per E-Mail nicht wünscht oder besondere Sicherheitsanforderungen stellt, wie etwa die Verschlüsselung von E-Mails, wird der Auftraggeber den Wirtschaftsprüfer entsprechend in Textform informieren.

13. Vergütung

(1) Der Wirtschaftsprüfer hat neben seiner Gebühren- oder Honorarforderung Anspruch auf Erstattung seiner Auslagen; die Umsatzsteuer wird zusätzlich berechnet. Er kann angemessene Vorschüsse auf Vergütung und Auslagenersatz verlangen und die Auslieferung seiner Leistung von der vollen Befriedigung seiner Ansprüche abhängig machen. Mehrere Auftraggeber haften als Gesamtschuldner.

(2) Ist der Auftraggeber kein Verbraucher, so ist eine Aufrechnung gegen Forderungen des Wirtschaftsprüfers auf Vergütung und Auslagenersatz nur mit unbestrittenen oder rechtskräftig festgestellten Forderungen zulässig.

14. Streitschlichtungen

Der Wirtschaftsprüfer ist nicht bereit, an Streitbeilegungsverfahren vor einer Verbraucherschlichtungsstelle im Sinne des § 2 des Verbraucherstreitbeilegungsgesetzes teilzunehmen.

15. Anzuwendendes Recht

Für den Auftrag, seine Durchführung und die sich hieraus ergebenden Ansprüche gilt nur deutsches Recht.

Grant Thornton

Reddy Netherlands B.V.

in Leiden

Annual Report 2019/2020

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To the management of
Reddy Netherlands B.V.
Zernikedreef 12
2333 CL Leiden

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P.O. Box 2259
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The Netherlands

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Rotterdam, 11 May 2020

Subject: Annual report 2019/2020

Dear sirs,

We send you the annual report regarding the financial statements for the year 2019/2020 of your company, which include the company balance sheet with a total of € 24.631 (x 1.000), the consolidated balance sheet with a total of € 31.772 (x 1.000) and the profit and loss account ending with a net result of € -259 (x 1.000).

ENGAGEMENT

In accordance with your instructions we have audited the 2019/2020 financial statements of Reddy Netherlands B.V., Leiden. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements are included, together with the management board's report and the other information, in the 2019/2020 annual accounts attached to this report.

For the audit opinion we refer to the chapter "Other information" on page 39 of this report.

Yours sincerely,
Grant Thornton Accountants en Adviseurs B.V.

drs. M.P. van Rijssel RA

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GENERAL

Activities

Reddy Netherlands B.V. and its group companies are a pharmaceutical company specialised in the controlled release, development, formulation, and manufacture of injectable products. Reddy Netherlands B.V. offers a platform of proprietary biodegradable polymers for the controlled release and extended release of injectable products, in particular proteins.

Board of directors

On 31 March 2020 the board of directors is formed by S. Reddy, R. Verrijk, H. Delnoij and Jasmine.

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FINANCIAL REPORT 2019/2020

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REPORT OF THE MANAGING DIRECTORS

Introduction

This annual account is consolidated with all entities, Reddy Netherlands BV and his subsidiaries, Dr Reddy's Research & Development B.V. and Dr Reddy's Laboratories BV (hereinafter "Dr Reddy's")

Since its establishment in 1995 Dr Reddy's Research & Development B.V. (hereinafter "Dr Reddy's R&D",) has focused on the formulation development and manufacturing of difficult-to-formulate complex injectable drugs. Dr Reddy's has significant in-house expertise in the development and creation of micro-spheres and liposomes that enhance and enable controlled release of active pharmaceutical ingredient into humans.
Dr Reddy's R&D acts as a service provider developing and manufacturing formulations of injectable drugs for the biotechnology and pharmaceutical industry . After the acquisition by Dr Reddy's, the development of generic injectables has been added to Dr Reddy's R&D activities. The Company has strived to streamline costs, increase the quality delivered by leveraging the know-how and expertise of its employees as well as the drug delivery platforms.

In FY18, Dr Reddy's R&D entered into a transaction for sale of an IP relating to a Product know-how, to its wholly owned subsidiary company Dr Reddy's Laboratories BV (former "Eurobridge Consulting B.V").

Business developments and revenues

Dr. Reddy's majorly performs contract R&D activities on behalf of its ultimate parent entity Dr. Reddy's Laboratories Ltd, in which it carries out specified proof of concept projects for development of complex injectables, using microsphere and liposomal technologies. Our activities for complex injectable projects are typically reimbursed on a fee for service basis if the activities are for third parties, being minor part of the company activities. Dr. Reddy's also performs entrepreneurial R&D activities. Regarding this activity, it develops medicines at its own risk and expense. During the year the company performed such activity for one of the product.

In order to be profitable and sustainable in the future, the company during the year also has taken various steps to control and reduce its cost. The company's focus now is primarily on development services for complex injectable formulations and the same is managed through development by clusters.

Organization

On 31 March 2020, we employed 71 people, who were all located in the Netherlands (31 March 2019: 72). During 2019-20, 14 people joined (incl. 1 student) and 15 people left (incl. 1 students). On 31 March 2020 we employed 0 people through temporary employment agencies (31 March 2019: 0 people).

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Financial developments

The revenues decreased by 2% from € 12.3 million in 2018-19 to € 12.1 million in 2019-20. Revenue from Dr Reddy's Ltd. didn't change and was € 12.1 million in 2018-19 and is € 12.1 million in 2019-20.

Total operating costs (excluding interest) decreased by 5% from € 10.5 million in 2018-19 to € 10 million in 2019-20. Interest costs relate to our financial leases increased to € 0.64 million (2018-19: € 0.63 million).

In December 2019, a strain of coronavirus was reported and later spread across Europe toward the period February and March 2020, causing massive disruptions across multiple industries/sectors. While the disruption is currently expected to be temporary and did not impact our current year results, there is considerable uncertainty around its duration. The impact of such disruptions if continued, will impact the Company's future operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

Outlook fiscal year 2021

Our focus on delivery, efficiency and effectiveness in virtually all key functions of our organization has generated the revenue in 2019-20 which we expect to be able to continue. We expect to meet the increased demand from our customers by increasing the utilization of our facilities in Leiden. We will be making further investments in equipment in the coming years, especially to accommodate the requirement for development of more generic complex injectables.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for designing, implementing and operating our internal risk control structure in order to manage in an effective and efficient manner the risks we are exposed to. The principal objective of the Dr Reddy's business model is to become a sustainable operationally cash flow balanced company in the medium term by strict cost control and expanding our revenue base. Our internal risk control structure needs to assist Dr Reddy's in achieving this objective.

Dr Reddy's internal risk control structure consists of:

Policies, principles and procedures

Dr Reddy's procedures are formalized in Standard Operating Procedures (SOP's). These SOP's are reviewed at periodic intervals and amended where necessary.

The Code of Conduct which includes the Internal Code on Inside Information and the Whistleblower's policy is published on the intranet. The personnel handbook contains guidelines relevant for all employees and is regularly updated. The authorization levels within Dr Reddy's are sufficient and mentioned in the implemented.

Budgeting process

The strategic plan is converted into an annual budget. Actual financial results are measured against budget on a monthly basis. Financial and non-financial key performance indicators (KPI's) have been identified. A management report is prepared on a monthly basis . This management report includes both financial and non-financial information as well as KPI's. The management report is distributed to and discussed with the management.

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External auditor

The external auditor carries out the procedures and activities related to the issuance of the auditor's opinion to the financial statements. The external auditor takes into consideration the systems that are intended to ensure reliable reporting. The external auditor reports any significant matters relating to internal control measures that have been identified during the audit of the financial statements. The observations made by the external auditor are discussed with the Board.

Risk control matrix

During 2019-20 we have maintained the existing internal controls in the area of project administration.

OPERATIONAL RISKS

Complex services

The formulation and manufacturing services that we offer can be highly complex. From time to time, issues may arise in the formulation laboratory variety of reasons including equipment malfunction, failure to follow specific protocols and procedures, issues with raw materials, employee turnover and environmental factors. Such issues could affect the formulation success, the production of a particular R&D batch or series of batches. This could, among other things, lead to increased costs, lost revenues, damage to customer relations, reimbursement to customers for lost active pharmaceutical ingredients, time and expense spent investigating the cause. We are mitigating this risk by hiring experienced employees, cross-fertilizing experience and providing necessary training to our staff.

Fixed development and manufacturing capacity

The amount that the pharmaceutical and biotechnology industries spend on formulation development and manufacturing for clinical studies and commercial use and in particular how much they spend on outsourcing such activities may have a large impact on our revenues and profitability. As a result, we may experience overcapacity in terms of development resources and manufacturing resources which could affect our profitability as the costs related to these resources are largely fixed in the medium term. By creating a balanced portfolio, building long-term relationships with customers for multiple products and through our pricing strategy we are actively balancing the utilization of our development capacity. In the financial year 2016, the manufacturing facility has been closed, and the capacity will be used to expand in fixed development.

Qualified personnel

Recruiting and retaining qualified personnel is critical to our success. We may not be able to attract and retain qualified personnel on acceptable terms given the competition among pharmaceutical and biotechnology companies, universities and research institutions for similar personnel. Several measures have been implemented to retain and motivate current personnel, such as the development of specific retention and training programs and the implementation of a more simplified organization which allows a more open and direct dialogue between various levels and different functions within the organization.

Product liability exposure

We are exposed to liability risks from performing formulation development services for third parties. We have a quality system in place to ensure that these services are delivered in an appropriate manner. In our service contracts we include a paragraph which limits our liability. Also we have liability insurance, which we currently believe is adequate to cover liabilities we may incur.

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FINANCIAL RISKS

Risk of not establishing a cash balanced business model

We believe that we will be able to create a balanced cash flow in the medium term. With the change in business model, through strict cost control and a focus on building a balanced revenues portfolio including project for Reddy's, we have reduced the risk of continuing losses.
Management ensures that the cash position is sufficient to meet the company's financial obligations towards creditors.

Currency risk

Only one external customer is located outside the Euro-zone. We minimize our exposure to exchange rate risks by invoicing our customers in Euro.

Credit risk

Credit checks are carried out on all customers. Amounts outstanding for both time and credit limits are regularly monitored.

Financial reporting risks and compliance risks

As in any other company, there is a risk of errors in our financial reporting. To prevent this risk from occurring, we have reporting and accounting procedures, results analysis and external auditing in place to limit the risk of unfair or incorrect representation of financial reporting. Our Internal Code of Conduct stipulates that staff should comply with all applicable laws and regulations. Complementary to other reporting lines, a whistleblower's procedure enables staff to report alleged irregularities of a general, operational and financial nature without jeopardizing their legal status. During 2019-20, we have received no such reports.

Financial instruments risk

In the years presented in these financial statements, the Group did not purchase or hold any derivative financial instruments or available-for-sale financial assets. The financial instrument risk related to these types of instruments is therefore minimal. The company has loans payable which have an interest rate based on the Euribor rate including a markup.

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Legislation and regulation risk

The pharmaceutical industry in which Dr Reddy's operates needs to comply to strict rules and regulations, in particular related to cGMP manufacturing. The rules relevant to Dr Reddy's are established and monitored by the European Medicines Evaluation Agency (the 'EMEA'), the US Food and Drug Administration (the 'FDA') and Dutch regulatory authorities. Rules and regulations might change and this might have consequences for Dr Reddy's. Dr Reddy's intends to adhere to all relevant quality and safety standards.

Leiden, 11 May 2020

On Behalf of the Board,

S. Reddy

H. Delnoi

R. Verrijk

Jamine

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CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2020
(after appropriation of result)

		31 March 2020		31 March 2019	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
ASSETS					
Fixed assets					
Intangible fixed assets	(1)				
Development costs		8.259		7.315	
Intellectual property		2.203		2.937	
Goodwill		10.772		11.600	
			21.234		21.852
Tangible fixed assets	(2)				
Land and buildings		3.345		3.750	
Plant and equipments		1.245		1.736	
Furniture		174		176	
Assets under construction and prepayments		387		19	
			5.151		5.681
Financial fixed assets	(3)				
Other securities			4		0
Current assets					
Trade and other receivables	(4)				
Trade debtors		3.155		1.715	
Taxes and social securities		550		591	
Other receivables, prepayments and accrued income		162		503	
			3.867		2.809
Cash and cash equivalents	(5)		1.516		1.760
			31.772		32.102

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		31 March 2020		31 March 2019	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
EQUITY AND LIABILITIES					
Equity	(6)		24.628		24.887
Non-current liabilities	(7)				
Finance lease liabilities			4.193		4.738
Current liabilities	(8)				
Current portion of finance lease liabilities		545		499	
Trade creditors		599		387	
Payables to other related parties		0		4	
Taxes and social securities		20		67	
Accruals and deferred income		1.787		1.520	
			2.951		2.477
			31.772		32.102

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CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR 2019/2020

		2019/2020		2018/2019	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
Gross margin			10.364		11.073
Costs					
Employee expenses	(10)	4.828		4.303	
Depreciation/Amortization	(11)	2.679		3.825	
Other operating expenses	(12)	2.467		2.319	
			9.974		10.447
Operating result			390		626
Financial income and expenses	(13)		-649		-633
Result before tax			-259		-7
Taxation	(14)		0		-12
Result after tax			-259		-19

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Activities

Reddy Netherlands B.V. and its group companies are pharmaceutical companies specialised in the controlled release, development, formulation, and manufacturing of injectable products.

Reddy Netherlands B.V. and its group companies offer a platform of proprietary biodegradable polymers for the controlled release and extended release of injectable products, in particular proteins. The Company is a private limited liability company incorporated and domiciled in the Netherlands.

Registered address

The registered and actual address of Reddy Netherlands B.V. (CoC file 33289445) is Zernikedreef 12 in Leiden.

Group structure

The consolidated financial statements of Reddy Netherlands B.V. include the financial statements of Reddy Netherlands B.V. and its participations in the group companies as mentioned under "List of participating interests - Consolidated subsidiaries".

The consolidated financial statements are based on the accounting principles of Reddy Netherlands B.V. The individual financial statements of the group companies are fully integrated in the consolidated financial statements, taking into account the elimination of the mutual debts, assets and transactions.

LIST OF PARTICIPATING INTERESTS

Name, statutory registered office	Share in issued capital	Included in consolidation
	%	
Dr. Reddy's Research and Development B.V. Leiden	100,00	Yes
Dr. Reddy's Laboratories B.V. Leiden	100,00	Yes

Consolidation principles

Financial information relating to group companies and other legal entities which are controlled by Reddy Netherlands B.V. has been consolidated in the financial statements of Reddy Netherlands B.V. The consolidated financial statements have been prepared in accordance with the accounting principles of Reddy Netherlands B.V.

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GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with Part9 of Book 2 of the Dutch Civil Code. Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

The financial statements of the company are presented in euros, which is the company's functional currency.

Prior year restatement

In view of the capitalised development cost a legal reserve is recognised. In view of this the prior year figures have been restated. This has no effect on total equity or the result for the year.

Continuity

These financial statements have been prepared on the basis of the going concern assumption. Although the company is mainly dependent on one client (intercompany), there is no doubt on the entity's ability to continue as a going concern in view of the intention and ability of the parent company to continue to provide financial support.

In 2013, the Company was acquired by Dr. Reddy's Laboratories Ltd. in India. Dr. Reddy's forecast and projections, is to use the company for the research and development of generic medicines. Thus specializing in this market.

Considering the factors above, after making enquiries, the directors have reasonable expectations that, with Parent Company support, the Company has adequate resources to continue in operation.

Estimates

In applying the principles and policies for drawing up the financial statements, the directors of Reddy Netherlands B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under section 362, sub 1, book 2 of the Dutch Civil Code the nature of these estimates and judgments, including related assumptions, is disclosed in the Notes to the relevant financial statement item.

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Leasing

Financial leasing

The company leases the buildings, whereby it retains substantially all the risks and rewards of ownership of these assets. These assets are recognised on the balance sheet upon commencement of the lease contract at the lower of the fair value of the asset or the discounted value of the minimum lease payments. The lease instalments to be paid are divided into a repayment and an interest portion, using the annuity method. The liabilities under the lease, excluding the interest payments, are included under long-term debts.

The interest component is included in the profit and loss account for the duration of the contract on the basis of a fixed interest percentage of the average remaining redemption component. The assets are depreciated over the remaining economic life or, if shorter, the duration of the contract.

Financial instruments

Under financial instruments the monetary assets and liabilities, such as receivables and liabilities, and the financial derivatives are included. For a description of the accounting principles of the monetary assets and liabilities, reference is made to the notes per balance sheet item.

Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates at balance sheet date. Transactions in foreign currency during the financial year are recognised in the financial statements at the exchange rates at transaction date. The exchange differences are recognised in the profit and loss account as financial income or expenditure respectively.

PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairments.
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life. Amortisation is calculated as a fixed percentage of cost. The useful life of the amortisation rate is evaluated at the end of each year.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and, if applicable, less impairments.
Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is recognised from the date an asset comes into use.
Tangible fixed assets of which the company have substantially all the risks and rewards incidental to ownership of the assets (financial lease agreement), are capitalised. The commitment arising from the financial lease agreement is accounted for as a liability.
The interest included on the future lease installments is charged to the profit and loss account over the term of the financial lease agreement.

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Financial fixed assets

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of the net asset value. This net asset value is based on the same accounting principles as applied by Reddy Netherlands B.V. Participating interests with a negative net asset value are valued at nil. In the case that the company fully or partly guarantees for the debts of the respective participating interest, a provision is recognised.

Under the financial fixed assets a deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. The deferred tax assets are valued at nominal value and have mainly a long-term character.
The other securities are stated at cost.

Impairment of non-current assets

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.
An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

Trade and other receivables

The receivables are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the face value, after deduction of any provisions if necessary.

Cash and cash equivalents

Cash and cash equivalents are valued at nominal value.

Liabilities

Recorded interest bearing loans and liabilities are valued at amortised cost

Current liabilities are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the face value. Accruals are valued at its face value.

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PRINCIPLES FOR THE DETERMINATION OF THE RESULT

Determination of the result

The income and expenses are accounted for in the period to which they relate.

Net turnover

Revenue comprises the fair value of the sale of goods and services, and is shown net of value added tax, rebates and discounts. The revenues primarily consist of sales of services, license and other revenues and subsidies.
These revenues are recognized as follows:
(a) Service revenues
Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the specific transaction when the outcome of the transaction can be estimated reliably. Each project is divided into subprojects and the stage of completion for each subproject is assessed on the basis of the actual service provided as a proportion of the total services to be provided. Service income from Dr. Reddy's is recognised per the terms of contracts, when the related services are performed, or the agreed milestones are achieved.

(b) License and other revenues
License and other revenues include amounts earned from third parties with licenses and/or options to the company's intellectual property and for amounts received for the sale of part of the company's intellectual property. License and other revenues are recognized when earned in accordance with the substance and under the terms of the related agreements and when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. In situations where the company has continuing performance obligations, revenues related to license fee payments are deferred and the related revenue is recognized in the period of expected performance.

(c) Income from subsidies
The WBSO ('wet ter bevordering speur- en ontwikkelingswerk') is a fiscal facility that provides subsidies to companies, knowledge centres and self-employed people who perform research and development activities (as defined in the WBSO Act). Under this Act, a portion of the labour costs of employees directly involved in research and development can be deducted from the regular payment of payroll taxes and social security contributions. Subsidies relating to labour costs (WBSO) are deferred and recognized in the income statement as negative labour costs over the period necessary to match them with the labour costs that they are intended to compensate.

Gross margin on turnover/Gross margin

The gross margin on turnover comprises net turnover, cost of sales and cost of outsourced work and other external charges.

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Pension expenses

In the financial statements the pension obligation is presented based on the "obligation to the pension fund"-methodology.

Multi-employer plan

The pension plan is a multi-employer plans. In the pension plan is stated that the company has no obligation to pay additional pension premiums. If there is a deficit in the plan, the company has no obligation to fund the deficit, other then by paying higher future contributions. In the financial statements therefore the contributions are recognised as an expense when they are due.

Amortization/depreciation

Amortization on intangible fixed assets is calculated by using a fixed rate on the acquisition costs or costs of conversion.
The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost.
The amortisation of intangible fixed assets is calculated by using a fixed rate on the cost of research and development costs respectively.
Gains and losses on disposal of (in)tangible fixed assets are recorded under amortization/depreciation.

Financial result

Financial income and expenses comprise interest income and expenses on loans as accounted for in the current reporting period.

Share in result from investments in participating interests

The share in the result of associates consists of the share of the group in the result of these associates. This result is based on the accounting principles applied by Reddy Netherlands B.V.
Results on transactions, where the assets and liabilities transfer between the group and the participating interests and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised. The results of participating interests acquired or sold during the financial year are stated in the group result from the date of acquisition or until the date of sale respectively.
Dividends received from participating interests is accounted for in the profit and loss account as financial income.

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Taxation

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The entity, which has a recent history of tax losses, recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent that the relevant fiscal unity has sufficient taxable temporary differences and there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by that fiscal unity. Management's judgement is that such convincing evidence is currently available to record one year of deferred tax assets.
The corporate income tax at the subsidiary is calculated as if the subsidiary is independantly liable to pay taxes. Deferred taxes recognised at the subsidiary are in fact deferred receivables and/or deferred liabilities towards the parent company.

PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT

In accordance with Dutch GAAP (360.104) no cash flow statement is included, as the figures of Reddy Netherlands B.V. and its group companies are fully included in the figures of Dr. Reddy's Laboratories Ltd. in India (as available online on https://www.drreddys.com/).

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NOTES TO THE BALANCE SHEET AS AT 31 MARCH 2020

1. Intangible fixed assets

	Customer contract & relationships	Development costs	Intellectual property	Goodwill	Total
	X € 1.000	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Book value as at 1 April 2019					
Acquisition costs	4.394	7.315	7.342	16.572	35.623
Accumulated amortization	-4.394	0	-4.405	-4.972	-13.771
	0	7.315	2.937	11.600	21.852
Changes					
Additions development costs	0	945	0	0	945
Amortization	0	0	-734	-829	-1.562
	0	945	-734	-829	-617
Book value as at 31 March 2020					
Acquisition costs	4.394	8.259	7.342	16.572	36.567
Accumulated amortization	-4.394	0	-5.139	-5.800	-15.334
	0	8.259	2.203	10.772	21.234

Rate of amortization

	%
Customer contract & relationships	20
Development costs	5
Intellectual property	10
Goodwill	5

Note:
Intellectual property (amortization commences from the launch of the project)

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2. Tangible fixed assets

	Land and buildings	Plant and equipments	Furniture	Assets under construction and prepayments	Total
	X € 1.000	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Book value as at 1 April 2019					
Acquisition costs	8.992	20.087	1.410	19	30.508
Accumulated depreciation	-5.242	-18.352	-1.234	0	-24.828
	3.750	1.735	176	19	5.681
Changes					
Investments	0	0	0	629	629
Depreciation/Amortization	-455	-610	-51	0	-1.116
Reclassification	67	143	51	-261	0
Other changes	-17	-23	-2	0	-42
	-405	-490	-2	368	-529
Book value as at 31 March 2020					
Acquisition costs	9.059	20.230	1.462	387	31.137
Accumulated depreciation	-5.714	-18.985	-1.288	0	-25.986
Carrying amount as of 31 March 2020	3.345	1.245	174	387	5.151

Reddy Netherlands B.V. does not have the economic ownership of the buildings with a carrying amount of € 3.290 (x 1.000) as at 31 March 2020 (31 March: 2019: € 3.750 (x 1.000)) since the company has entered into a financial lease agreement for these buildings.

Rate of depreciation

	%
Land and buildings	5
Plant and equipments	10-33
Furniture	20-33
Assets under construction and prepayments	0

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3. Financial fixed assets

	31-3-2020	31-3-2019
	X € 1.000	X € 1.000
Other securities		
Other securities	4	0

	2019/2020	2018/2019
	X € 1.000	X € 1.000
Other securities		
Balance as at 1 April	0	0
Investments	4	0
Balance as at 31 March	4	0

4. Trade and other receivables

	31-3-2020	31-3-2019
	X € 1.000	X € 1.000
Trade debtors		
Trade debtors	101	89
Intercompany receivables	3.129	1.701
Provision for bad debts	-75	-75
	3.155	1.715
Taxes and social securities		
Corporate income tax	439	439
VAT	108	90
Payroll and social securities charges	0	29
Pension charges	3	32
	550	590
Other receivables, prepayments and accrued income		
Prepaid expenses	155	503
Accrued income	7	0
	162	503

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	31-3-2020	31-3-2019
	X € 1.000	X € 1.000

5. Cash and cash equivalents

ABN AMRO Bank N.V.	1.516	1.762

6. Equity

For the note on shareholders' equity we refer to the notes on the company balance sheet on page 33 of this report.

7. Non-current liabilities

Finance lease liabilities

Finance lease liabilities	4.193	4.738

Finance lease liabilities decreased to € 4.738 (x 1.000) (2018/2019 € 5.237 (x 1.000)) due to scheduled repayments on the different finance lease agreements.
The financial lease liability has a nominal term of 20 years with a yearly interest rate of 9,00%.
The financial lease obligation for less than 1 year is € 545 (x 1.000). The obligation longer than 1 year and shorter than 5 years is € 2.487 (x 1.000) and € 1.706 (x 1.000) with a term longer than 5 years.

Lease liabilities are effectively secured by the lessor as the rights to the leased asset revert to the lessor in the event of default.

	2019/2020	2018/2019
	X € 1.000	X € 1.000
Balance as at 1 April	5.237	5.693
Repayment	-499	-456
Balance as at 31 March	4.738	5.237
Repayment obligations next financial year	-545	-499
Long-term part as at 31 March	4.193	4.738

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8. Current liabilities

	31-3-2020	31-3-2019
	X € 1.000	X € 1.000
Current portion of finance lease liabilities		
Financial lease	545	499
Trade creditors		
Trade creditors	599	387
Taxes and social securities		
Payroll and social securities charges	20	0
Other taxes	0	67
	20	67
Accruals and deferred income		
Accruals and deferred income	0	1
Collaterals from customers	363	363
Audit fee	30	46
Other current liabilities	1.394	1.111
	1.787	1.521

Off-balance sheet commitments

Contingent liabilities

Tax entity

Reddy Netherlands B.V. and its group companies form a fiscal unity (VAT and corporate income tax) with Reddy Netherlands B.V. as the head. As a result of the fiscal unity, each company is jointly and severally liable for the related tax liabilities of the entire fiscal unity.

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Bank(er's) guarantee

Bank guarantees at 31 March 2020 amounted to € 340 (x 1.000) (2018/2019, € 340 (x 1.000)) and equal three months of rent for the Company's office, laboratory and manufacturing facilities. An amount of € 116 (x 1.000) of the bank guarantee related to the office, laboratory and manufacturing facilities the Company has occupied since 2000 and an amount of € 224 (x 1.000) related to the new office, laboratory and manufacturing facilities the Company started occupying in 2008. Both bank guarantees will be released at the end of the rental agreements.

Capital commitments

The group has made material capital commitments of € 239 (x 1.000) as at 31 March 2020
(31 March 2019: € 55 (x 1.000)).

Long-term financial obligations

Rental commitments buildings

A significant part of the operating lease commitments relate to the monthly rental costs for the land portion of the 20-year lease contracts for the company's office, laboratory and manufacturing facilities.
This lease is regarded as a financial lease and as such included in the balance sheet.

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NOTES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR 2019/2020

9. Net turnover

The revenues decreased in 2019/2020 compared to 2018/2019 with 14,2%.

10. Employee expenses

	2019/2020	2018/2019
	X € 1.000	X € 1.000
Wages and salaries	3.848	3.274
Social security charges	617	663
Pension expenses	229	230
Other personnel expenses	134	136
	4.828	4.303

The salaries are net of WBSO subsidies of € 489 (x 1.000) (2018/2019: € 634 (x 1.000)).

Emoluments of directors and supervisory directors

The remuneration of directors (including pension obligations) which were charged in 2019/2020 amount to € 228 (x 1.000) (2018/2019: € 341 (x 1.000)).

Staff

During the 2019/2020 financial year, the average number of employees in the Group, converted into full-time equivalents, amounted to 71 (2018/2019: 72).

	2019/2020	2018/2019
The breakdown is as follows:		
Management	2,0	2,0
Finance and HR	3,0	3,0
Operations	13,0	14,0
Development	53,0	53,0
	71,0	72,0

11. Depreciation/Amortization

	2019/2020	2018/2019
	X € 1.000	X € 1.000
Intangible fixed assets	1.563	1.563
Tangible fixed assets	1.116	2.262
	2.679	3.825

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	2019/2020	2018/2019
	X € 1.000	X € 1.000
Amortization intangible fixed assets		
Intellectual property	734	734
Goodwill	829	829
	1.563	1.563
Depreciation tangible fixed assets		
Land and buildings	455	414
Plant and equipments	610	1.785
Furniture	51	63
	1.116	2.262
12. Other operating expenses		
Other personnel expenses	352	349
Accommodation expenses	792	846
Office expenses	258	241
Selling and distribution expenses	0	2
Repair and maintenance	174	230
Consultancy fee	891	650
	2.467	2.318
Other employee expenses		
Work wear	17	16
Other employment costs	335	333
	352	349
Accommodation expenses		
Rent	253	254
Energy and water costs	341	364
Other accommodation expenses	198	228
	792	846
Office expenses		
Printed matter	20	29
Telephone	42	38
Other office supplies	197	174
	258	241

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	2019/2020	2018/2019
	X € 1.000	X € 1.000
Selling expenses		
Publicity and advertisement	0	2
Consultancy fee		
Audit fee	58	54
Consultancy fee	259	312
Legal charges	0	2
Insurances	50	59
Other general expenses	523	224
	890	651
13. Financial income and expenses		
Finance leases	-635	-619
Foreign exchange	-7	-3
Other interest income and expenses	-7	-11
	-649	-633
Other interest income and expenses		
Bankcharges	7	11
14. Taxation		
Corporate income tax	0	12

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BALANCE SHEET AS AT 31 MARCH 2020
(after appropriation of result)

		31 March 2020		31 March 2019	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
ASSETS					
Fixed assets					
Intangible fixed assets	(15)				
Intellectual property		2.203		2.937	
Goodwill		10.771		11.600	
			12.974		14.537
Financial fixed assets	(16)				
Subsidiaries		3.527		3.356	
Loans to group companies		8.086		7.986	
Other securities		4		0	
			11.617		11.342
Current assets					
Trade and other receivables	(17)		5		1
Cash and cash equivalents	(18)		35		49
			24.631		25.929

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		31 March 2020		31 March 2019	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
EQUITY AND LIABILITIES					
Shareholders' equity	(19)				
Issued share capital		18		18	
Share premium reserve		39.087		39.087	
Legal and statutory reserves		8.259		7.314	
Other reserves		-22.736		-21.532	
			24.628		24.887
Provisions	(20)				
Other provisions			0		1.038
Current liabilities	(21)		3		4
			24.631		25.929

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PROFIT & LOSS ACCOUNT FOR THE YEAR 2019/2020

		2019/2020		2018/2019	
		X € 1.000	X € 1.000	X € 1.000	X € 1.000
Costs					
Depreciation/Amortization	(22)	1.563		1.563	
Other operating expenses	(23)	4		46	
			1.567		1.609
Operating result			-1.567		-1.609
Financial income and expenses	(24)		99		140
Result before tax			-1.468		-1.469
Taxation	(25)		0		-12
			-1.468		-1.481
Share in result of participating interests	(26)		1.209		1.462
Result after tax			-259		-19

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PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES AND THE DETERMINATION OF THE RESULT

The company financial statements have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code.

For the general accounting principles for the preparation of the financial statements, the principles of valuation of assets and liabilities and the determination of the result, as well as for the notes to the assets and liabilities and the results, we refer to the notes in the consolidated financial statements, if there is no further explanation provided.

Where necessary, the figures for 2018/2019 have been reclassified in order to permit comparability with 2019/2020.

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NOTES TO THE BALANCE SHEET AS AT 31 MARCH 2020

15. Intangible fixed assets

	Customer contract & relationships	Intellectual property	Goodwill	Total
	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Book value as at 1 April 2019				
Acquisition costs	4.394	7.342	16.572	28.308
Accumulated amortization	-4.394	-4.405	-4.972	-13.771
	0	2.937	11.600	14.537
Changes				
Amortization	0	-734	-829	-1.563
Book value as at 31 March 2020				
Acquisition costs	4.394	7.342	16.572	28.308
Accumulated amortization	-4.394	-5.139	-5.800	-15.334
	0	2.203	10.772	12.974

16. Financial fixed assets

	31-3-2020	31-3-2019
	X € 1.000	X € 1.000
Subsidiaries		
Dr. Reddy's Research and Development B.V.	1.537	0
Dr. Reddy's Laboratories B.V.	1.990	3.356
	3.527	3.356

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	2019/2020	2018/2019
	X € 1.000	X € 1.000
Dr. Reddy's Research and Development B.V.		
Balance as at 1 April	-1.038	0
Share in result	2.575	0
Balance as at 31 March	1.537	0
Dr. Reddy's Laboratories B.V.		
Balance as at 1 April	3.356	0
Investments	0	3.356
Share in result	-1.366	0
Balance as at 31 March	1.990	3.356

	31-3-2020	31-3-2019
	X € 1.000	X € 1.000
Loans to group companies		
Dr. Reddy's Research and Development B.V.	8.086	7.986

	2019/2020	2018/2019
	X € 1.000	X € 1.000
Dr. Reddy's Research and Development B.V.		
Balance as at 1 April	7.986	11.200
Reclassification	0	-3.356
Interest	100	142
Balance as at 31 March	8.086	7.986

	31-3-2020	31-3-2019
	X € 1.000	X € 1.000
Other securities		
Other securities	4	0

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	2019/2020	2018/2019
	X € 1.000	X € 1.000
Other securities		
Balance as at 1 April	0	0
Investments	4	0
Balance as at 31 March	4	0

17. Trade and other receivables

	31-3-2020	31-3-2019
	X € 1.000	X € 1.000
Trade debtors		
Intercompany receivables	4	0
Taxes and social securities		
VAT	1	1

18. Cash and cash equivalents

ABN AMRO Bank N.V.	35	49

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19. Shareholders' equity

	Issued share capital	Share premium reserve	Legal and statutory reserves	Other reserves	Total
	X € 1.000	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Balance as at 1 April 2019	18	39.087	7.314	-21.532	24.887
Net result for the period	0	0	0	-259	-259
Addition legal reserve	0	0	945	-945	0
Balance as at 31 March 2020	18	39.087	8.259	-22.736	24.628

	Issued share capital	Share premium reserve	Legal reserves	Other reserves	Total
	X € 1.000	X € 1.000	X € 1.000	X € 1.000	X € 1.000
Balance as at 1 April 2018	18	39.087	5.112	-19.311	24.906
Net result for the period	0	0	0	-19	-19
Addition legal reserve	0	0	2.202	-2.202	0
Balance at at 31 March 2019	18	39.087	7.314	-21.532	24.887

	31-3-2020	31-3-2019
	X € 1.000	X € 1.000
Issued share capital		
364 ordinary shares at a par value of € 50.	18	18
Legal and statutory reserves		
Reserve for capitalised development costs	8.259	7.314

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	2019/2020	2018/2019
	X € 1.000	X € 1.000
Reserve for capitalised development costs		
Balance as at 1 April	7.314	5.112
Addition	945	2.202
Balance as at 31 March	8.259	7.314

Other reserves

Balance as at 1 April	-21.532	-19.311
Appropriation of the net result	-259	-19
Addition legal reserve	-945	-2.202
Balance as at 31 March	-22.736	-21.532

Appropriation of loss

According to legislation the loss of 2019/2020 amounting to € 259 (x 1.000) is deducted from the other reserves. The appropriation of loss has been incorporated in the financial statements.

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20. Provisions

	31-3-2020	31-3-2019
	X € 1.000	X € 1.000
Other provisions		
Provision subsidiaries	0	1.038
Provision subsidiaries		
Provision for participation Dr. Reddy's Research and Development B.V.	0	1.038

21. Current liabilities

Accruals and deferred income	3	4

Off-balance sheet commitments

Contingent liabilities

Several liability in accordance with article 2:403 of the Dutch Civil Code.

The company has issued declarations of joint and several liability for debts arising from the actions of Dutch consolidated participating interests Dr. Reddy's Research and Development B.V. and Dr. Reddy's Laboratories B.V. in accordance with article 2:403 of the Dutch Civil Code. The company is therefore jointly and several liable for all ensuing from any legal acts of these group companies.

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NOTES TO THE COMPANY PROFIT & LOSS ACCOUNT FOR THE YEAR 2019/2020

	2019/2020	2018/2019
	X € 1.000	X € 1.000
22. Depreciation/Amortization		
Intangible fixed assets	1.563	1.563
Amortization intangible fixed assets		
Intellectual property	734	734
Goodwill	829	829
Totaal	1.563	1.563
23. Other operating expenses		
Consultancy fee	4	46
24. Financial income and expenses		
Other interest income and expenses	100	140
Other interest income and expenses		
Interest expense Dr. Reddy's Research and Development B.V.	-100	-142
Bankcharges	0	2
	-100	-140
25. Taxation		
Corporate income tax	0	12
26. Share in result of participating interests		
Share in result of Dr. Reddy's Research and Development B.V.	2.575	1.462
Share in result of Dr. Reddy's Laboratories B.V.	-1.366	0
	1.209	1.462

Signature directors

Leiden, 11 May 2020

S. Reddy

H. Delnoi

R. Verrijk

Jamine

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OTHER INFORMATION

Provisions in the Articles of Association governing the appropriation of profit

Based on the Articles of Association the profit is at disposal of the General Meeting.

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INDEPENDENT AUDITOR'S REPORT

To: Board of directors of Reddy Netherlands B.V. registered at Leiden

A. Report on the audit of the financial statements 2019/2020 included in the annual report

Our opinion

We have audited the financial statements 2019/2020 of Reddy Netherlands B.V., based in Leiden.

In our opinion the accompanying financial statements as stated from page 8 to page 38 give a true and fair view of the financial position of Reddy Netherlands B.V. as at 31 March 2020 and of its result for 2019/2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and the company balance sheet as at 31 March 2020;
2. the consolidated and the company profit and loss account for 2019/2020 and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Reddy Netherlands B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. For further explanation on the nature and scope of an audit report and the VGBA please visit www.nba.nl/ENG_algemeen_01.

Rotterdam, 11 May 2020

Grant Thornton Accountants en Adviseurs B.V.

drs. M.P. van Rijssel RA

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INDEPENDENT AUDIT REPORT

* * * *

REDDY PHARMA IBERIA, S.A.U.
(Single Shareholder Company)
Abbreviated annual accounts for financial year ended 31 March 2020

VAHN y Cía.

AUDIT REPORT ON ABBREVIATED ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR

For Single Shareholder of:
REDDY PHARMA IBERIA, S.A.U.

Opinion

We have audited the annual accounts of REDDY PHARMA IBERIA, S.A.U (the Company), which include the abbreviated balance for 31st March 2020, the abbreviated profits and losses account, the statement of changes in net worth, and the abbreviated financial statement for the period ending on said date.

In our opinion, the abbreviated annual accounts attached are a true reflection of the net worth and the financial situation of the Company at 31st March 2020, in all of its significant aspects; they also reflect its income corresponding to the period ending on said date, in accordance with the legal framework regarding financial information which is to be applied (as identified in note 2 of the consolidated financial statement), and specifically, with the accounting principles and criteria contained therein.

Basis for the opinion

We have performed our audit in accordance with the current regulatory legislation regarding account auditing in Spain. Our responsibilities in accordance with said legislation are described hereinafter in the section entitled *Auditor responsibilities in relation to the annual accounts audit* in our report.

We are independent of the Company, as per the requirements regarding ethics, including those referring to independence, which are applicable to our audit of annual accounts in Spain according to the requirements of the regulatory legislation for account auditing. In this sense, we have not provided any services that differ in nature from account auditing, nor have there been situations or circumstances which, pursuant to the stipulations of the aforementioned regulatory legislation, may have affected the independence required so as to compromise it.

We believe that the audit evidence that we have obtained provides an appropriate and adequate basis for our opinion.

The most important aspects of the audit

The most important aspects of the audit are those which, according to our professional judgement, were considered to be the most important material inaccuracy risks found in our abbreviated annual accounts audit for this period. These risks have been dealt with within the framework of our abbreviated annual account audit as a whole, and in forming our opinion about those risks; we do not express a separate opinion about these risks.

Income recognition and accruals	Procedures applied in the audit
Income recognition is an important area of material inaccuracy, particularly with regard to the correct allocation time frame at the end of the financial year.	Our main audit proceedings covered the end of the financial year, in particular the evaluation of checks on income recognition. It was based on the information provided by the Company as part of its internal controls, and on verifying documents such as receipts for payment received, and reviewing the cut off dates for operations taking place for the period.

Responsibility of the administrators in relation to the abbreviated annual accounts

The administrators are responsible for drafting the attached abbreviated annual accounts, so that they show a true image of the Company's net worth, financial situation and income, pursuant to the legislative framework for the financial information applicable to companies in Spain, and the internal controls that they consider necessary in order to enable the abbreviated annual accounts to be prepared without material inaccuracies due to fraud or error.

When preparing the abbreviated annual accounts, the administrators are responsible for the evaluation of the Company's capacity to continue as a going concern, revealing, as appropriate, any issues relating to the functioning company's accounting principle, except where the administrators intend to liquidate the company or cease its operations, or where there is no other realistic alternative.

Responsibilities of the auditor in relation to the abbreviated annual accounts audit

Our aim is to obtain reasonable security ensuring that the abbreviated annual accounts as a whole are free from material inaccuracies due to fraud or error, and to submit an audit report containing our opinion.

Reasonable security is a high degree of security but it does not guarantee that an audit performed in accordance with the current regulatory legislation for auditing in Spain is always able to detect any material inaccuracies that may exist. Inaccuracies may be due to fraud or error, and are considered as material if, either individually or as a whole, it can be reasonably understood that they will have an influence on the financial decisions that users make based on the abbreviated annual accounts.

As part of an audit in accordance with the regulatory legislation for account auditing in Spain, we apply our professional judgement and maintain a sceptical attitude throughout the entire auditing process. We also:

- Identify and assess the risks of material inaccuracies in abbreviated annual accounts due to fraud or error, design and apply auditing processes to respond to said risks and obtain appropriate and adequate auditing evidence to provide a basis for our opinion. The risk of not detecting a material inaccuracy due to fraud is higher than where the material inaccuracy occurs as a result of error, as the fraud may involve collusion, falsification, deliberate omissions, intentionally incorrect entries, or the avoidance of the internal checks.

- Obtain knowledge from internal checks which is relevant for the audit with the aim of designing auditing procedures that will be appropriate depending on the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the company's internal checks.

- Assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimations and the corresponding information revealed by the administrators.

- Draw conclusions on whether the application by the administrators of the going concern corporate accounting principle is adequate and, based on the audit evidence obtained, we draw conclusions on whether or not there is any material uncertainty related to events or conditions that might generate significant doubts regarding the Company's ability to continue as a going concern. If we conclude that any material uncertainty exists, we are required to draw attention to the corresponding information disclosed in the statutory accounts in our audit reports or, if such disclosures are not adequate, we should express an amended opinion. Our conclusions are based on the auditing evidence obtained to the date of our auditing report. However, future events and conditions may cause the Company to cease to be a going concern.

We assess the global presentation, the structure and the content of the annual accounts, including the information that has been revealed, and whether the annual accounts show the transactions and underlying operations in order to be able to provide a true picture.

We are in contact with the company administrators in relation to, amongst other issues, the planned scope and timing of the audit and the important findings made therein, as well as any important deficiency in the internal checks that we are able to identify during the course of the audit. Among the significant risks that have been reported to the company's administrators, we determine the ones that have been of the greatest significance in the audit of the annual accounts of the current period and which are, consequently, the risks considered to be the most significant.

We describe these risks in our auditing report, except in cases where legal or regulatory provisions prohibit public disclosure of a particular matter.

VAHN Y CIA AUDITORES, S.L.
(Number SO535 in the Official Register of Account Auditors)

Luis Marigomez Rodriguez
ROAC 21.424

REDDY PHARMA IBERIA, S.A. SOLE SHAREHOLDER

ANNUAL REPORT

CLOSED ON

31 MARCH 2020

REDDY PHARMA IBERIA, S.A.U.

ABRIDGED BALANCE SHEET AS OF 31 MARCH 2020 AND 2019

(Expressed in Euros)

ASSET	Note	31/03/2020	31/03/2019
NON-CURRENT ASSETS		**211,007.49**	**121,629.15**
Intangible assets	**6**	**199,782.88**	**108,025.63**
Tangible fixed assets	**5**	**2,601.71**	**4,980.62**
Long-term financial investments	**8**	**8,622.90**	**8,622.90**
Other financial assets		8,622.90	8,622.90
CURRENT ASSETS		**3,699,202.19**	**1,138,930.63**
Stock	**7**	**1,227,762.00**	**687,500.66**
Trade and other receivables		**1,966,931.65**	**270,697.68**
Trade Receivables for Sales and Services	**8**	1,917,532.10	201,964.19
Other receivables	**8**	2,400.00	5,400.00
Other receivables from Public Administrations	**11**	46,999.55	63,333.49
Short-term financial investments	**8**	**241,461.71**	**22,429.09**
Cash and cash equivalents		**263,046.83**	**158,303.20**
Treasury		263,046.83	158,303.20
TOTAL ASSETS		**3,910,209.68**	**1,260,559.78**

NET WORTH AND LIABILITIES	Note	31/03/2020	31/03/2019
NET WORTH		**1,864,116.18**	**572,435.17**
Equity	**10**	**1,864,116.18**	**572,435.17**
Capital	**10**	**60,000.00**	**60,000.00**
Issued capital		60,000.00	60,000.00
Reserves	**10**	**-28,379.04**	**-28,379.04**
Legal and statutory		-28,379.04	-28,379.04
Results from previous years	**10**	**-959,185.79**	**0.00**
Other shareholder contributions	**10**	**3,000,000.00**	**1,500,000.00**
Financial Year Results	**3**	**-208,318.99**	**-959,185.79**
CURRENT LIABILITIES		**2,046,093.50**	**688,124.61**
Trade and other debts		**2,046,093.50**	**688,124.61**
Providers	**9**	715,094.41	137,771.42
Providers, group and associated companies	**9**	1,254,303.19	462,773.34
Other creditors	**9**	33,066.95	49,225.67
Other debts to Public Administrations	**11**	43,628.95	38,354.18
TOTAL NET WORTH AND LIABILITIES		**3,910,209.68**	**1,260,559.78**

REDDY PHARMA IBERIA, S.A.U.

ABRIDGED PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 31 MARCH 2020 AND 2019
(Expressed in Euros)

	Note	31/03/2020	31/03/2019
ONGOING OPERATIONS			
Net revenues	**12**	**4,323,440.92**	**801,958.34**
Sales		4,323,440.92	801,958.34
Supplies	**12**	**(2,525,118.91)**	**(641,340.87)**
Change in inventory		(2,525,118.91)	(641,340.87)
Staff costs	**12**	**(581,474.45)**	**(503,759.31)**
Wages, salaries and similar expenses		(465,541.27)	(399,469.15)
Social security payable by the company		(108,733.17)	(82,787.12)
Other benefits		(7,200.01)	(21,503.04)
Other operating costs	**12**	**(1,397,443.96)**	**(602,788.67)**
Depreciation of fixed assets	**5 6 and 12**	**(27,727.89)**	**(13,507.14)**
OPERATING REVENUE		**(208,324.29)**	**(959,437.65)**
Financial income		**5.30**	**251.86**
From tradable securities and other financial instruments		5.30	251.86
From third parties		5.30	251.86
Financial expenses		**0.00**	**0.00**
FINANCIAL RESULT		**5.30**	**251.86**
RESULT BEFORE TAXES	**11**	**(208,318.99)**	**(959,185.79)**
Tax on profits			
PROC. FOR FISCAL YEAR RESULT ONGOING OPERATIONS		**(208,318.99)**	**(959,185.79)**
FINANCIAL YEAR RESULTS	**3**	**(208,318.99**	**(959,185.79)**

REDDY PHARMA IBERIA, S.A.U.

STATEMENT OF CHANGES IN EQUITY AS OF 31 MARCH 2020 AND 2019
(Expressed in Euros)

A) ABBREVIATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

		Year ended 31 March	
	Note	2020	2019
Result of the profit and loss account	3	**-208,318.99**	**-959,185.79**
Revenues and expenses recognised directly in equity		-	-
Total revenues and expenses recognised directly in equity		-	-
Total transfers to the profit and loss account		-	-
		-	-
TOTAL RECOGNISED INCOME AND EXPENSES		**-208,318.99**	**-959,185.79**

B) ABBREVIATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Reserves	Results from previous years	Other shareholder contributions	Financial Year Results	TOTAL
	(Note 10)	(Note 10)	(Note 10)	(Note 10)	(Note 3)	
BALANCE AS OF 31 MARCH 2017	**9,066,000.00**	**-50,487.53**	**-8,288,103.98**	**0.00**	**-154,038.52**	**573,369.97**
Total recognised income and expense					-541,749.01	-541,749.01
Other changes in equity			-154,038.52		154,038.52	0.00
BALANCE AS OF 31 MARCH 2018	**9,066,000.00**	**-50,487.53**	**-8,442,142.50**	**0.00**	**-541,749.01**	**31,620.96**
Total recognised income and expense					-959,185.79	-959,185.79
Reductions in capital	-9,006,000.00	22,108.49	8,442,142.50		541,749.01	0.00
Other transactions with partners or owners				1,500,000.00		1,500,000.00
Other changes in equity						0.00
BALANCE AS OF 31 MARCH 2019	**60,000.00**	**-28,379.04**	**0.00**	**1,500,000.00**	**-959,185.79**	**572,435.17**
Total recognised income and expense					-208,318.99	-208,318.99
Reductions in capital						0.00
Other transactions with partners or owners				1,500,000.00		1,500,000.00
Other changes in equity			-959,185.79		959,185.79	0.00
BALANCE AS OF 31 MARCH 2020	**60,000.00**	**-28,379.04**	**-959,185.79**	**3,000,000.00**	**-208,318.99**	**1,864,116.18**

REDDY PHARMA IBERIA, S.A. SOLE SHAREHOLDER

REPORT OF THE ABBREVIATED ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

1. BUSINESS ACTIVITY

REDDY PHARMA IBERIA, S.A.U, was constituted as a limited company on 18 May 2006. Its registered place of business is currently in Barcelona, Avenida de Josep Tarradellas, 38.

Its corporate purpose is:

- The manufacture, sale, marketing, intermediation, import and export of all nature of chemical products, medicines, pharmaceuticals, insecticides, biopharmaceuticals, foodstuffs, dyestuffs and colourants, whether as raw materials, intermediate products or finished products, as well as dermocosmetic products and all types of equipment, instruments and accessories, surgical, medical, dental and scientific, diagnostic and diagnostic reagent equipment, aids and accessories for health care, health care products and instruments, as well as healthcare research and development including diagnostic systems.

- Research and development in relation to the products mentioned in the preceding paragraph, including without limitation the carrying out of clinical trials for the development of new products and for the development and maintenance of test centres and laboratories for use by themselves or others.

The Company is considered to be a Sociedad Anónima Unipersonal (Sole Shareholder Limited Company), registered as such in Madrid's Trade Registry, stating the identity of its Sole Shareholder.
The Company is part of a group of companies led by Dr. Reddy's Laboratories Limited which has its headquarters in India, with Dr. Reddy's Laboratories SA which has its headquarters in Basilea (Switzerland) being its sole Shareholder.

Given the activities to which the company is dedicated, it does not have liabilities, expenses, assets, nor provisions and contingencies of an environmental nature that could be significant in relation to the equity, the financial position and the results thereof. For this reason, specific environmental information breakdowns are not included in these notes.

2. BASIS FOR PRESENTATION OF THE ANNUAL ACCOUNTS

2.1. Fair presentation

The annual accounts have been prepared in accordance with the Plan General de Contabilidad (General Accounting Plan) approved by Royal Decree 1514/2007 of 16 November, modified by Royal Decree 1159/2010 of 17 September, and its latest modifications, as well as the other current commercial legislation.

These annual accounts have been obtained from the accounting records of the Company, held for the purpose of management control, which serve to update the mandatory official accounting books, in accordance with current commercial and tax legislation, in order to show the true equity, financial position and results of the Company. These annual accounts, obtained from such books and which have been formulated by the Board of Directors, will be submitted for approval by the Sole Shareholder.

The amounts stated in the documents comprising these accounts (the balance sheet, profit and loss account, statement of changes in equity and memorandum) are expressed in Euros.

2.2. Accounting principles

The Company has applied the current legal provisions regarding accounting in order to show a true and fair view of the Company's equity, financial position and results, thus no non-mandatory accounting principles have been applied.

2.3. Critical aspects of the valuation and estimation of uncertainty

The Company has prepared its financial statements in accordance with the going concern principle. In order that there is no significant risk that may involve significant changes in the value of assets or liabilities in the following year, it is financed by the sole shareholder.

2.4. Comparison of information

The Company presents its annual accounts for the year ended 31 March 2020 in accordance with the structure established in the General Accounting Plan. Likewise, the amounts for the preceding year are shown with the same balance sheet and profit and loss account structure, in accordance with current legislation.

In compliance with the conditions established in articles 257, 258 and 1/2010 of Royal Legislative Decree 2 of 261 July, approving the Ley de Sociedades de Capital (Capital Companies Act), the administrators present the Annual Accounts in abbreviated form.

2.5. Grouping of items

There is no breakdown of items that have been grouped in the Balance Sheet, the Profit and Loss Account or in the Statement of Changes in Shareholders' Equity.

2.6. Elements included in several items

There are no equity items of a similar nature whose amount is recorded in two or more items of the Balance Sheet.

2.7. Changes in accounting criteria

No adjustments have been made for changes in accounting criteria during the year.

2.8. Error correction

No correction adjustments were made during the period.

3. APPLICATION OF RESULTS

The proposal regarding the distribution of profits formulated by the Board of Directors of the Company, for approval by the Sole Shareholder, is as follows:

BASIS OF DISTRIBUTION	Euros
Balance of the profit and loss account	(208,318.99)
TOTAL	(208,318.99)
APPLICATION	
Income from previous financial years	208,318.99
TOTAL	208,318.99

4. VALUATION RULES

The valuation rules used by the Company in the preparation of its annual accounts for the year ended 31 March 2020, in accordance with those established by the General Accounting Plan, were as follows:

4.1. Tangible fixed assets

The assets included in tangible fixed assets are valued at their purchase price, which includes any additional expenses incurred until the asset is placed into operation; financial expenses are not included.

Repairs that do not extend the useful life as well as maintenance expenses are charged directly to the profit and loss account. The costs of extensions or improvements that give rise to a longer duration of the asset are capitalised as a greater value of that asset.
The annual depreciation allowance is calculated by the straight-line method based on the estimated useful life of the different assets, which is detailed as follows:

Data processing equipment.....33%

Tangible fixed assets are depreciated from the month following acquisition.

4.2. Intangible assets

The criteria contained in the regulations, relating to tangible fixed assets, will be applied to intangible fixed assets.
For the intangible asset to be initially recognised, in addition to complying with the asset definition and the

accounting criteria or recognition contained in the Conceptual Framework of Accounting it is necessary that it meets the identifiability criterion, implying that the asset must meet one of the following two requirements:

a) It must be separable
b) It must arise from legal or contractual rights.

The annual depreciation allowance is calculated by the straight-line method based on the estimated useful life of the different assets, which is detailed as follows:

Administrative concessions 20%

Intangible fixed assets are depreciated from the month following acquisition.

4.3. Share capital

Ordinary shares are classified as equity. There is no other type of shares.
Expenses directly attributable to the issuance or acquisition of new shares will be recorded in equity as a deduction from the amount of those shares.
If the company acquires or sells its own shares, the amount paid or received for the shares is recognised directly in equity. No loss or profit is recognised in the income for the year resulting from the purchase, sale, issue or depreciation of its own equity instruments.

4.4. Financial instruments

Debits and credits arising from trade operations of the company, for both debtors and creditors, are recorded at their nominal value and are classified short or long term according to maturity, depending on whether they are less or more than one year respectively.

Financial investments are recorded at acquisition cost, reduced, if applicable, by the amount necessary to recognise permanent impairments, comparing them with market value at the closing date.

4.5. Foreign currency transactions

The conversion into Euros of debits and credits expressed in foreign currency is carried out at the exchange rate prevailing at the time of the corresponding transaction, being valued at the end of the year in accordance with the exchange rate prevailing at that time.
Unrealised gains and losses arising from exchange rate fluctuations between the transaction accounting date and the year-end date are recorded in the income statement.

4.6. Tax on profits

The income tax expense for the year is calculated on the basis of the economic result before taxes, increased or decreased by permanent and temporary differences as appropriate, obtaining the tax result, which is the taxable income, and reduced for the bonuses and deductions applied in the quota excluding the retentions and payments on account.

The company has generated a negative taxable income, no expense has been recorded for corporate income tax. In accordance with the principle of prudence, the tax credit is not recorded.

4.7. Income and expenses

Income and expenses are recognised on an accrual basis, that is, on the basis of the actual flow of goods and services they represent and regardless of when the monetary or financial flow derived from them occurs. However, following the criteria of prudence, the company only records the profits made at year-end, while foreseeable risks and possible losses arising from the year or the previous one are accounted for as soon as they are known.

4.8. Staff costs

Staff costs are recorded at their gross amount.

4.9. Transactions between related parties

Transactions with related parties correspond to normal trade operations and are recorded as such and do not accrue interest.

5. TANGIBLE FIXED ASSETS

The detail and composition of the items that make up the Tangible Fixed Assets at the close of the years ended 31 March 2020 are as follows:

Account No.	Name	Balance 31/03/2019	Inflows	Outflows/Withdrawals	Balance 31/03/20
217	Data processing equipment	9,778.27	0.00	0.00	9,778.27
	Total	**9,778.27**	**0.00**	**0.00**	**9,778.27**

The information based on amortization by cost elements is as follows:

Account No.	Name	Balance 31/03/2019	Depreciation due to amortisation	Withdrawal costs	Balance 31/03/20
2817	Data processing equipment	-4,797.65	-2,378.91	0.00	-7,176.56
	Total	**-4,797.65**	**-2,378.91**	**0.00**	**-7,176.56**

The net book value as of 31 March 2020 is 2,601.67 euros (4,980.62 euros on 31 March 2019)

6. INTANGIBLE ASSETS

The detail and composition of the items that make up the Intangible Fixed Assets at the close of the years ended 31 March 2020 are as follows:

Account No.	Name	Balance 31/03/2019	Inflows	Outflows/Withdrawals	Balance 31/03/20

209	Advances for intangible assets	8,353.00	108,825.50	-28,000.00	89,178.50
	Total	**8,353.00**	**108,825.50**	**-28,000.00**	**89,178.50**

Corresponds to the royalties for licenses for the sale of medicines, which are capitalized on the date of granting the licensed products' trading authorization. They are amortised according to the years stipulated in the contract.

Account No.	Name	Balance 31/03/2019	Inflows	Outflows/Withdrawals	Balance 31/03/20
202	Administrative concessions	111,125.32	44,787.12	-9,631.39	146,281.05
	Total	**111,125.32**	**44,787.12**	**-9,631.39**	**146,281.05**

Account No.	Name	Balance 31/03/2019	Depreciation due to amortisation	Withdrawal costs	Balance 31/03/20
2802	Administrative concessions	-11,452.69	-25,348.98	1,125.00	-35,676.67
	Total	**-11,452.69**	**-25,348.98**	**1,125.00**	**-35,676.67**

The net book value as of 31 March 2020 is 199,782.88 euros (108,025.63 euros in 2019)

7. STOCK

The detail of stock as of 31 March is as follows:

Account No.	Name	Balance 31/03/2020	Balance 31/03/2019
3000	Commercial stocks	1,227,762.00	687,500.66
	Total	**1,227,762.00**	**687,500.66**

8. FINANCIAL ASSETS

Subsection: credits from Public Administrations are detailed in note 11.

The breakdown of this subsection at 31 March is as follows:

CLASSES	LONG-TERM FINANCIAL INSTRUMENTS						SHORT-TERM FINANCIAL INSTRUMENTS						TOTAL	
	EQUITY INSTRUMENTS		DEBT SECURITIES		OTHER CREDIT DERIVATIVES		QUITY INSTRUMENTS		DEBT SECURITIES		OTHER CREDIT DERIVATIVES			
CATEGORIES	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19
Fair value assets with changes in P & L	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments held until maturity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans and receivables	0.00	0.00	0.00	0.00	8,622.90	8,622.90	0.00	0.00	0.00	0.00	2,161,393.81	229,793.28	2,170,016.71	238,416.18
I. Long-term financial investments	0.00	0.00	0.00	0.00	8,622.90	8,622.90	0.00	0.00	0.00	0.00	0.00	0.00	8,622.90	8,622.90
II. Trade and other receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,919,932.10	207,364.19	1,919,932.10	207,364.19
III. Short-term financial investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	241,461.71	22,429.09	241,461.71	22,429.09
IV. Short-term accruals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assets available for sale	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hedging derivatives	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**	**8,622.90**	**8,622.90**	**0.00**	**0.00**	**0.00**	**0.00**	**2,161,393.81**	**229,793.28**	**2,170,016.71**	**238,416.18**

9. FINANCIAL LIABILITIES

Subsection: debts with Public Administrations are detailed in note 11.

The breakdown of this subsection at 31 March 2020 is as follows:

CLASSES	LONG-TERM FINANCIAL INSTRUMENTS						SHORT-TERM FINANCIAL INSTRUMENTS						TOTAL	
	DEBTS WITH CREDIT INSTITUTIONS		DEBENTURES AND OTHER MARKETABLE SECURITIES		OTHER DERIVATIVES		DEBTS WITH CREDIT INSTITUTIONS		DEBENTURES AND OTHER MARKETABLE SECURITIES		OTHER DERIVATIVES			
CATEGORIES	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19	FY 19-20	FY 18-19
Debits and payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,002,464.55	649,770.43	2,002,464.55	649,770.43
I. Short-term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Short-term debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Short-term debts with group companies and associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV. Providers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
V. Providers, group and associated companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,254,303.19	462,773.34	1,254,303.19	462,773.34
VI. Various creditors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	715,094.41	137,771.42	715,094.41	137,771.42
VII. Staff (remuneration pending payment)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	33,066.95	49,225.67	33,066.95	49,225.67
VIII. Current tax liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IX. Other debts to Public Administrations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fair value liabilities with changes in P & L	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2,002,464.55**	**649,770.43**	**2,002,464.55**	**649,770.43**

10. EQUITY

The balances and movements of equity during the year ended 31 March were as follows:

Euros	Subscribed capital	Reserves	Results from previous years	Other shareholder contributions	Result for financial year	Total
Balance as at 31/03/2019	60,000.00	-28,379.04	0.00	1,500,000.00	-959,185.79	572,435.17
Capital reduction	0.00	0.00	0.00	0.00	959,185.79	959,185.79
Other transactions with partners or owners				1,500,000.00		1,500,000.00
Financial Year Results 2019-2020			-959,185.79		-208,318.99	-1,167,504.78
Balance as at 31/03/2020	60,000.00	-28,379.04	-959,185.79	3,000,000.00	-208,318.99	1,864,116.18

In the last fiscal year and in view of the Company's Abbreviated Annual Accounts for fiscal years ended 31 March 2017 and 31 March 2018, the Sole Shareholder took account of the obligation to reduce the share capital account that had accumulated losses and had decreased the net worth below two thirds of the capital figure, having also passed at least one fiscal year without having recovered the net equity.

To resolve the aforementioned cause of dissolution in which the Company incurred, the Sole Shareholder decided to reduce the share capital in accordance with the following terms:

The Sole Shareholder decided to reduce the share capital, set at 9,066,000.00 euros, by the quantity of

8,983,891.51 euros, resulting in a reduction of the share capital to a nominal value of 82.108.49 euros.

The purpose of this capital reduction was to restore the balance between the capital and the net worth of the Company, reduced as a result of accumulated losses. Of the total amount reduced, 8,442,142.50 -euros are due to negative results from previous years; while 541,749.01 -euros correspond to the result of the fiscal year closed as of 31 March 2018.

The capital reduction is carried out by reducing the nominal value of all the shares representing the capital stock of the Company, affecting all of them equally in proportion to their nominal value. Thus the nominal value of each of the 9.066.000 shares in which the share capital fixed at 1.00 euro each was divided, was reduced by the amount of 0.990943 euros, so that the nominal value became 0.009057 euros per share and 82.108.49 euros for the total share capital.

Similarly and also from the balance sheet closed on 31 March 2018, the Sole Shareholder took account of the fact that the legal reserve of the Company did not meet the parameters set forth in article 274 of the TRLSC, whose amount was negative and amounted to 50,487.53- euros.

Consequently, the Sole Shareholder decided to reduce the Company's share capital to increase the legal reserve in the following terms :

The Sole Shareholder decided to reduce the share capital, which was set at 82,108.49 euros, by the amount of 22,108.49 euros, resulting in the reduction of the share capital to a nominal value of 60,000.00 -euros.

This reduction in capital, as has already been said, was aimed at increasing the legal reserve, which amounted to 50,487.53 euros negative balance, so that after the

reduction in capital, it was 28,379.04 euros also negative balance but reducing thus the difference with respect to the minimum established in the aforementioned article 274 of the TRLSC. This new capital reduction is also carried out with the aim of minimizing the share capital in such a way that it minimizes the future possible risk of dissolution occurring again.
The capital reduction was carried out by reducing the nominal value of all the 9,066,000 shares which make up the Company's capital stock - affecting all of them equally, in proportion to their nominal value - currently set at 0.009057 euros per share reducing them by the amount of 0.002439 euros, resulting in a reduction of the nominal value of each of the 9,066,000 shares to 0.006618 euros.

Consequently, the *subscribed share capital* on 31 March 2020 consisted of nine million and sixty-six thousand shares (9,066,000) with nominal value of 0,006618 cents of euro each, accumulative and indivisible. The share capital is fully disbursed.

Similarly, the Sole Shareholder decided to make a direct contribution to the Company's own funds of the amount of 1,500,000.00 euros in the financial year ended 31 March 2019. The Sole Shareholder made another direct contribution of 1,500,000 euros in the financial year ended 31 March 2020. These contributions were made with the purpose of providing the Company with liquidity for its normal activity, handling payments to creditors, and strengthening its equity position from an accounting point of view, trying to avoid the situation foreseen in article 363.1 e) of the TRLSC. This transaction does not entail an increase in the share capital.

11. PUBLIC ADMINISTRATIONS AND FISCAL POSITION

11.1. Public Administrations

The breakdown of the balances related to tax assets and liabilities at the end of the year ended 31 March is as follows:

	Balance 31/03/2020	Balance 31/03/2019
1. Other debts to Public Administrations	**43,628.95**	**38,354.18**
a) Personal Income Tax payable to Tax Office	32,818.28	30,563.43
b) Payable to Social Security	10,810.67	7,790.75
2. Other receivables from Public Administrations	**46,999.55**	**63,333.49**
a) Value Added Tax receivable from Tax Office	46,999.55	63,333.49

11.2. Fiscal Position

According to current legal tax provisions, tax settlements cannot be considered definitive until they have been inspected by the tax authorities or the statute of limitations has elapsed, currently set at four years. The Company maintains the last four

fiscal years for inspection by the tax authorities for all applicable taxes. In the opinion of the Company's directors, as well as its tax advisors, there are no significant tax contingencies that could arise, in the event of inspection, from different possible interpretations of the tax regulations applicable to the transactions carried out by the Company.

Corporate income tax is calculated on the basis of the economic or accounting result obtained by application of generally accepted accounting principles, increased or decreased by permanent and temporary differences as appropriate, obtaining the fiscal position or taxable income.

The reconciliation between the accounting profit and the taxable income as of 31 March, will be as follows:

	31/03/2020	31/03/2019
ACCOUNTING PROFIT before tax	**-208,318.99**	**-959,185.79**
Permanent Differences	18,446.22	19,752.72
Non-deductible expenses (Renting)	18,446.22	18,629.92
Fines and surcharges		1,122.80
Temporary Differences (of a temporary nature)	-15,964.66	38,434.50
Excess Fixed Depreciations Material	491.90	359.10
Reversal Fixed Depreciations Material	-216.99	-78.18
Depreciation Excess Software	5,760.00	20,000.00
Depreciation Reversal Software	-5,000.00	
Bonus FY 19-20	31,661.00	48,660.58
Bonus Reversal FY 18-19	-48,660.58	-30,507.00
Tax base before BINS compensation	**-205,837.43**	**-900,998.57**
Negative taxable income compensation		
Taxable income for the year	**-205,837.43**	**-900,998.57**

At the end of the year ended 31 March 2020, the Company has negative taxable income pending compensation in the amount of 9,496,773 Euros, detailed as follows:

Financial year	Negative taxable income pending compensation
2006	53,129.45
2007	2,370,736.64
2008	2,787,415.66
2009	2,505,410.38
2016	139,398.21
2017	533,846.75
2018	900,998.57
2019	205,837.43
TOTAL	**9,496,773.09**

In accordance with the changes introduced by Law 27/2014 of 27 November on Corporate Income Tax, there is no time limit for the compensation of negative taxable income that has been subject to liquidation or self-assessment. Likewise, a general quantitative limit of compensation is established for fiscal years beginning on or after 1 January 2016, which amounts to 60% of the previous taxable income and in any case may compensate a minimum of one million Euros.

12. INCOME AND EXPENSES

The composition of certain subsections and movements during the year ended 31 March were as follows:

Details of the profit and loss account	Financial year 2019-20	Financial year 2018-19
1. Revenues	4,323,440.92	801,958.34
a) Sale of goods	4,323,440.92	801,958.34
b) Provision of services	0.00	0.00
2. Consumption of goods	2,525,118.91	641,340.87
a) Purchases, net of returns and any discount:	0.00	0.00
- national	0.00	0.00
- intra-community acquisitions	0.00	0.00
- imports	0.00	0.00
b) Stock variations	2,525,118.91	641,340.87
3. Consumption of raw materials and other consumables	0.00	0.00
a) Purchases, net of returns and any discount:	0.00	0.00
- national	0.00	0.00
- intra-community acquisitions	0.00	0.00
- imports	0.00	0.00
b) Stock variations	0.00	0.00
4. Social expenses	581,474.45	503,759.31

a) wages and salaries	465,541.27	399,469.15
b) Social Security payable by the company	108,733.17	82,787.12
c) Contributions and provisions for pensions	0.00	0.00
d) Other social expenses	7,200.01	21,503.04
5. Other operating costs	1,397,443.96	602,788.67
a) Losses and impairment of commercial operations	0.00	0.00
b) Other operating costs	1,397,443.96	602,788.67
6. Depreciation of fixed assets	27,727.89	13,507.14
7. Earnings originating outside the normal activity of the company included in "other results"	0.00	0.00

13. TRANSACTIONS WITH RELATED PARTIES

The company does not own, directly or indirectly, interests in other companies.

In the fiscal year between 01 April 2019 and 31 March 2020, the company received invoices from the Company Dr Reddy's Laboratories Limited (UK) for the provision of services or purchases of goods by the amount of 42,082.08 euros (691,665.74 euros in the previous fiscal year), leaving an outstanding balance of 439,887.34 euros as of 31 March 2020 (462,773.34 euros as of 31 March 2019).

Similarly, the company received invoices from the Company Dr Reddy's Laboratories Limited (India) for the provision of services or purchases of goods in the amount of 1,023,013,17 euros, leaving outstanding payments of 778.415,85 euros of as of 31 March 2020 (462,773.34 euros as of 31 March 2019).

The company received invoices from Dr. Reddy's S.r.l (Italy) for the amount of 51,608.00 euros, with no outstanding payments as of 31 March 2020.

The company received invoices from Reddy's Pharma SAS for the amount of 153,400.00 euros, with no outstanding payments as of 31 March 2020.

The company received invoices from Betapharm Arzneimittel GmbH (Germany) for the amount of 7,500.00 euros, with no outstanding payments as of 31 March 2020.

Similarly, the Company has not paid any amount to its sole Shareholder, the Swiss company Dr. Reddy's Laboratories SA (Switzerland) in the year ended 31 March 2020.

Furthermore, during the year ended 31 March 2020, the members of the management body have not received any remuneration.

There are no obligations with members of the management body in matters of pensions, life insurance premiums, advances or credits, or for any other concept.

The management body of the company does not have any matters on which to report in relation to stipulations in articles 229 and 230 of the Capital Companies Act, nor do they maintain positions of responsibility in companies within the same sector,

except in those within the group.

14. ENVIRONMENTAL INFORMATION

As of 31 March 2020, there are no assets dedicated to the protection and improvement of the environment, nor have expenses of this nature been incurred during the year. Likewise, during the year ended 31 March 2020 no environmental subsidies have been received.

The management body estimates that there are no significant contingencies related to the protection and improvement of the environment, and does not consider it necessary to record any provision for environmental risks and expenses at 31 March 2020.

15. INFORMATION ON GREENHOUSE GAS EMISSION RIGHTS

In compliance with the changes resulting from the new general accounting plan and the ministerial order of 28 January 2009 (BOE, 10 February 2009) and Resolution of 6 April 2010 (BOE 84 of 7 April 2010), regarding the issue of greenhouse gas emission allowances, it is expressly stated that there are no items of an environmental nature, in particular greenhouse gas emission rights.

16. OTHER INFORMATION

The average number of persons employed during the year, expressed by categories, is as follows:

Average number of persons employed during the year by category	Financial year 2019-20	Financial year 2018-19
Other executive personnel	4	4
Commercial, vendors and similar	3	3
TOTAL AVERAGE EMPLOYEES	**7**	**7**

The Company does not have staff with disabilities equal to or greater than 33% as of 31 March 2020 and 2019.

17. INFORMATION ON DEFERRED PAYMENTS TO PROVIDERS

Below is the information required by the Third Additional Provision of Law 15/2010 of 5 July (modified through the second final provision of Law 31/2014of 3 December) prepared in accordance with the ICAC (Institute of Accounting and Account Audits) Resolution of 29 January 2016, on the information to be included in the annual accounts in relation to the average period of payment to providers in commercial operations.

	Financial year 2019-20	Financial year 2018-19
	Days	
Average period of payment to providers	30	30

According to the ICAC Resolution, the calculation of the average period of payment to providers has taken into account the commercial operations corresponding to the delivery of goods or services rendered from the date of entry into force of Law 31/2014 of 3 December.

The following are considered suppliers, for the exclusive purpose of providing the information provided in this Resolution, to commercial creditors for debts with providers of goods or services, included in the items "Providers", "Various creditors" and "Providers, group and associated companies" of the current liability of the accompanying abbreviated balance sheet.

"Average period of payment to providers" means the period that elapses from the delivery of the goods or the provision of the services by the supplier and the material payment of the transaction.

18. EVENTS OCCURRING AFTER CLOSURE

The Directors are not aware of any events occurring after 31 March 2020 and up to the date of preparation of these Annual Accounts that could significantly affect said accounts or should be stated therein to provide adequate understanding.

Nevertheless, due to the exceptional circumstances following the close of the 2019 financial year and during the production of these annual accounts, and as a result of the publication of 14 March 463/2020 Royal Decree declaring a state of emergency in order to manage the healthcare crisis caused by the coronavirus (Covid-19) which came into force on the same day, we state that:

Contingency plans have been activated to cope with these circumstances enabling the company to continue operating, as far as possible, as normal. In order to do so, organizational measures to cope with the crisis have been implemented, such as enabling all employees to work from home, adapting IT systems and devices to enable effective internal and external communication, and complying at all time with the recommendations of the Spanish government and the Autonomous Communities with regard to the lockdown and the lifting of lockdown measures. These measures have been entirely compatible with keeping business activity going and may be extended for the time needed by the authorities, without endangering the company’s business activity.

The Company does not envisage the impossibility of fulfilling contractual obligations, and therefore does not see any consequences originating in failure to meet its

contractual obligations as a result of the epidemic. Our best efforts are being made to ensure that all our contractual obligations are being met, particularly with regard to the supply of medicines in current public tender procedures, which to date have not been compromised, although given the exceptional situation resulting from COVID-19, there is a need for continuous monitoring of exceptional and changing external factors.

At the date of the production of the accounts, the economic impacts caused by the widespread crisis are not known, and therefore, it is not possible to quantify them."

FORMULATION OF THE ABBREVIATED ANNUAL ACCOUNTS ENDED 2019

The Board of Directors of the Company "REDDY PHARMA IBERIA, S.A.U.", on 15 May 2020, signs the Annual Accounts for the year ended 31 March 2020.

Signature: Sameer Sudhakar Natu
President

Signed.: Antonio Anguera Vila
Director

Signed.: Patrick Aghanian
Director

Signed.: Dan Elyakin Kidron
Director

Reddy Pharma Italia S.r.l. (with a sole shareholder)

Legal Seat in Milan - Piazza Santa Maria Beltrade, n. 1
Share Capital EUR 30.000,00 i.v. - fully paid - in
Fiscal code and Milan Registry of Trading Companies
codice fiscale e Partita IVA:05464490969
Iscritta alla CCIAA di Milano Rea n. 1823467

Financial Statements as of March 31, 2020

(Drawn up pursuant art. 2435-bis C.C.)

(amounts are in Euro)

Balance Sheet

Assets		**31.03.2020**	**31.03.2019**
B) Fixed assets			
I.	*Intangible assets*		
II.	*Tangible assets*	0	271
III.	*Financial assets*	5.020.000	2.520.000
Totale immobilizzazioni		**5.020.000**	**2.520.271**
C) Current assets			
I.	*Stock*		
II.	*Accounts receivable*		
	- falling due within one year	19.733	17.877
	- falling due after more than one year		
	Total accounts receivable	19.733	17.877
III.	*Financial assets not representing fixed assets*		
	Total financial assets not representing fixed assets		
IV.	*Liquid assets*	111	4.183
Total current assets		**19.844**	**22.060**
D) Accrued income and pre payments		686	684
Total assets		**5.040.530**	**2.543.015**

Liabilities		31.03.2020	31.03.2019
A) Shareholders equity			
I.	Share Capital	30.000	30.000
IV.	Legal reserve		
VI.	Other reserves	5.002.766	2.513.122
VIII.	Retained earnings / (loss carried forward)		
IX.	Operating profit (loss)	(9.652)	(10.357)
Total		**5.023.114**	**2.532.765**
B) Provisions for risks and liabilities			
C) Provision for employees' leaving indemnity			
D) Accounts payable			
	- falling due within one year	17.416	10.250
	- falling due after more than one year		
	Total acconts payable	17.416	10.250
E) Accrued liabilities and deferred income		0	0
Total liabilities		**5.040.530**	**2.543.015**

Profit and loss account

		31.03.2020	31.03.2019
A)	**Revenues**		
1)	*Sales and services*		
2)	*Changes on stock of goods in process, semi-finished goods and finished goods*		
5)	*Miscellaneous revenues*		
Total revenues		**0**	**0**
B)	**Expenses**		
6)	*For raw materials, subsidiarymaterials, consumables and goods*		
7)	*Services*	6.870	7.578
8)	*Rent/Lease*		
9)	*Personnel*		
	a) Salary and wages		
	b) Social security contributions		
	c) Employees' leaving indemnity		
		0	0
10)	*Depreciation and write-downs*		
	a) Depreciation of intangible assets		
	b) Depreciation of tangible assets	272	635
	c) Other devaluation of tangible assets		
	d) Bad debts accruals		
	Total depreciation and write-down	272	635
11)	*Changes in stock of raw material, subsidiary materials, expendable materials and goods*		
12)	*Risk accruals*		
13)	*Other accruals*		
14)	*Other management costs*	2.510	2.144
Total expenses		**9.652**	**10.357**
Difference between revenues and expenses (A-B)		**(9.652)**	**(10.357)**
C)	**Financial income and costs**		
16)	*Other financial income*		
17)	*Interest and other financial cost*		
	d) other than the above		
17) bis	*Exchange gains and losses*		
Totale proventi e oneri finanziari			
Total financial income and costs		**(9.652)**	**(10.357)**
20)	*Taxes on the income for the year*		
	- current taxes		
	- deferred taxes		
21) Profit (Loss) for the year		**(9.652)**	**(10.357)**

This is a free translation into English of the statutory auditor's report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditor's report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or vérification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholder,

| Opinion

In compliance with the engagement entrusted to us by your ordinary meeting shareholders', we have audited the accompanying financial statements of REDDY PHARMA SAS for the year ended March 31th, 2020. These statements have been approved on May 14th, 2020, considering the ongoing Covid-19 crisis.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at March 31th, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

| Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from the April 1st 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics for statutory auditors.

| Justification of Assessments

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the most important assessments we have made, in our professional judgment, concerning the appropriateness of the accounting principles used.

These matters were addressed in the context of our audit of the financial statements as a whole, approved in the aforementioned conditions, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

| Specific Vérifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the President's annual management report approved on May 14th, 2020, and in the other documents related to the financial statements addressed to the members of the General Meeting.
Considering the ongoing events and elements known after the approval of the financial statements related to the Covid-19 crisis and its consequences, we have been told by the management that they will be communicated to the General Meeting called to give a decision on the financial statements.

We confirm the accuracy and fair presentation of the information related to payment terms, mentioned according to article D.441-4 of the French Commercial Code.

| Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The financial statements were approved by the President.

| Statutory Auditor's Responsibilities for the Audit of the Financial Statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

BELFORT, May 14th, 2020

French original version signed by
Mathieu-François OROSCO
Statutory Auditor

REDDY PHARMA SAS		31/03/2020			31/03/2019	Var.	Var. %
ASSETS (in EUR)		Gross	Amort / depr	Net	Net		
	Uncalled subscribed capital	0	0	0	1 250 000	-1 250 000	-
FIXED ASSETS	R&D expenses	0	0	0	0	0	-
	Concessions, patents & similar rights	256 224	44 854	211 370	239 443	-28 073	-13%
	Goodwill	0	0	0	0	0	-
	Other intangible assets	0	0	0	0	0	-
	Advance payments on intangible assets	0	0	0	0	0	-
	Intangible Fixed Assets	**256 224**	**44 854**	**211 370**	**239 443**	**-28 073**	**-13%**
	Land	0	0	0	0	0	-
	Building	0	0	0	0	0	-
	Technical installations, machinery and equipment	0	0	0	0	0	-
	Other tangible assets	100 002	36 143	63 859	62 508	1 351	2%
	Tangible assets in course	178 100	0	178 100	99 000	79 100	44%
	Advance payments on tangible assets	0	0	0	0	0	-
	Tangible Fixed Assets	**278 102**	**36 143**	**241 959**	**161 508**	**80 451**	**33%**
	Equity interests	0	0	0	0	0	-
	Receivables from equity interests	0	0	0	0	0	-
	Other long-term investment securities	0	0	0	0	0	-
	Loans	0	0	0	0	0	-
	Other long-term investments	13 953	0	13 953	13 655	298	2%
	Financial Fixed Assets	**13 953**	**0**	**13 953**	**13 655**	**298**	**2%**
	TOTAL Fixed Assets	**548 279**	**80 997**	**467 282**	**414 606**	**52 676**	**11%**
CURRENT ASSETS	Raw materials and other supplies	0	0	0	0	0	-
	Work in progress	0	0	0	0	0	-
	Finished goods	0	0	0	0	0	-
	Merchandise	2 284 710	0	2 284 710	671 835	1 612 875	71%
	Inventories	**2 284 710**	**0**	**2 284 710**	**671 835**	**1 612 875**	**71%**
	Trade receivables and similar accounts	3 343 693	3 088	3 340 606	274 503	3 066 103	92%
	Other receivables	26 657	0	26 657	92 025	-65 368	-245%
	Subscribed capital called, unpaid	0	0	0	0	0	-
	Cash and cash equivalents	291 179	0	291 179	52 356	238 823	82%
DEF. CHARGES	Prepaid expenses	42 179	0	42 179	41 875	304	1%
	TOTAL	**5 988 418**	**3 088**	**5 985 331**	**1 132 594**	**4 852 737**	**81%**
	Deffered charges	0	0	0	0	0	-
	Bond redemption premiums	0	0	0	0	0	-
	Positive translation adjustments	0	0	0	0	0	-
TOTAL ASSETS		**6 536 697**	**84 085**	**6 452 613**	**2 797 200**	**3 655 413**	**57%**

REDDY PHARMA SAS		31/03/2020	31/03/2019	Var.	Var. %
LIABILITIES (in EUR)					
SHAREHOLDER'S EQUITY	Share capital	5 000 000	5 000 000	0	0%
	Issue, merger and contribution premiums	0	0	0	-
	Revaluation reserve	0	0	0	-
	Legal reserve	0	0	0	-
	Statutory or contractual reserves	0	0	0	-
	Regulated reserves	0	0	0	-
	Others reserves	0	0	0	-
	Retained earnings	-2 856 833	-1 819 058	-1 037 775	57%
	Profit / Loss of the financial year	2 268 391	-1 037 775	3 306 166	-319%
	Investments subsidies	0	0	0	-
	Regulated provisions	0	0	0	-
	TOTAL	4 411 558	2 143 167	2 268 391	106%
OTHER EQUITY	Proceeds from issues of participating securities	0	0	0	-
	Contingent advances	0	0	0	-
	TOTAL	**0**	**0**	**0**	-
PROVISIONS	Provisions for risks	0	0	0	-
	Provisions for charges	0	0	0	-
	TOTAL	**0**	**0**	**0**	-
DEBTS	**Loans and similar debt**				
	Convertible debenture loans	0	0	0	-
	Others bonds	0	0	0	-
	Loans and other borrowings from credits	0	0	0	-
	Loans and miscellaneous financial debts	0	0	0	-
	Advances and deposits from customers	0	0	0	-
	Accounts payable				
	Trade payables	1 563 619	423 332	1 140 287	269%
	Tax en social debts	477 051	230 154	246 897	107%
	Amounts payable on fixed assets and related accounts	0	0	0	-
	Other debts	385	547	-162	-30%
DEF. INCOME	Deffered income	0	0	0	-
	TOTAL	**2 041 055**	**654 033**	**1 387 022**	**212%**
	Negative translation adjustements	0	0	0	-
TOTAL LIABILITIES		**6 452 613**	**2 797 200**	**3 655 413**	**131%**

REDDY PHARMA SAS		31/03/2020	31/03/2019	Var.	Var. %
PROFIT & LOSS ACCOUNTS (in EUR)					
OPERATING REVENUES	Sales of goods bought for resale	8 306 543	609 150	7 697 393	1264%
	Sales of manufactured goods	0	0	0	-
	Sales of services	0	0	0	-
	Revenues	**8 306 543**	**609 150**	**7 697 393**	**1264%**
	Change in inventories of finished goods and work in progress	0	0	0	-
	Capitalised production	0	0	0	-
	Operating subsidies received	0	0	0	-
	Reversals of provisions and depreciation, expense transfers	111 312	2 951	108 361	3672%
	Other income	434	1	433	43300%
	Operating income	**8 418 289**	**612 102**	**7 806 187**	**1275%**
OPERATING EXPENSES	Purchases of goods	5 529 576	428 815	5 100 761	1190%
	Change in inventories of goods	-1 509 529	-475 568	-1 033 961	217%
	Purchases of raw materials and other supplies	5 260	0	5 260	-
	Change in inventories of raw materials and other supplies	0	0	0	-
	Other bought in goods and services	750 851	712 810	38 041	5%
	Taxes other than corporate income tax	369 718	158 830	210 888	133%
	Wages and salaries	507 247	485 388	21 859	5%
	Social security charges	211 475	199 774	11 701	6%
	Depreciation, amortization & provision :				
	- Depreciation and amortization of fixed assets	38 653	27 462	11 191	41%
	- Amortization of deferred charges	0	0	0	-
	- Increase in provisions against fixed assets	0	0	0	-
	- Increase in provisions against current assets	0	111 449	-111 449	-100%
	Other charges	31 917	16	31 901	199381%
	Operating expenses	**5 935 168**	**1 648 976**	**4 286 192**	**260%**
OPERATING PROFIT / LOSSES		**2 483 121**	**-1 036 874**	**3 519 995**	**-339%**
	Share in profits/losses of joint venture partnership	0	0	0	-
FINANCIAL INCOMES	Income from equity interests	0	0	0	-
	Other interest and similar income	0	0	0	-
	Reversals of provisions and expense transfers	0	0	0	-
	Foreign exchange gains	149	5	144	2880%
	Net proceeds from disposals of marketable securities	0	0	0	-
	Financial incomes	**149**	**5**	**144**	**2880%**
FINANCIAL EXPENSES	Depreciation, amortization and provisions	0	0	0	-
	Interest and similar expenses	0	624	-624	-100%
	Foreign exchange losses	127	282	-155	-55%
	Net expenses on disposals of marketable securities	0	0	0	-
	Foreign exchange losses	0	0	0	-
	Financial expenses	**127**	**906**	**-779**	**-86%**
NET FINANCIAL INCOME / EXPENSES		**22**	**-901**	**923**	**-102%**
PROFIT / LOSSES FROM ORDINARY ACTIVITIES		**2 483 143**	**-1 037 775**	**3 520 918**	**-339%**
EXTRA. INCOME	Extraordinary incomes - non-capital transactions	2 250	0	2 250	-
	Extraordinary incomes - capital transactions	0	0	0	-
	Reversals of provisions and expense transfers	0	0	0	-
	Extraordinary incomes	**2 250**	**0**	**2 250**	**-**
EXTRA. EXPENSES	Extraordinary expenses - non-capital transactions	588	0	588	-
	Extraordinary expenses - capital transactions	0	0	0	-
	Extraordinary depreciation, amortization and provisions	0	0	0	-
	Extraordinary charges	**588**	**0**	**588**	**-**
NET EXTRAORDINARY INCOME / EXPENSES		**1 662**	**0**	**1 662**	**-**
	Statutory employee profit-sharing	0	0	0	-
	Corporate income tax	216414	0	216 414	-
NET PROFIT / LOSSES FOR THE YEAR		**2 268 391**	**-1 037 775**	**-216 414**	**21%**

Board's Report

Dear Members,

Your directors are pleased to present the 11th Board's Report of the Company for the year ended 31 March 2020.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2019-20 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2020	31 March 2019
Profit/(Loss) for the period after taxation	3,185	8,849
Balance brought forward	6,273	(2,576)
Dividend distribution tax paid on redemption of equity shares	(2,131)	
Balance carried forward to Balance Sheet	7,327	6,273

State of Company's Affairs

The Company did not carry out any operations during the year.

Change in the Nature of Business, if any

During the year, there was no change in the nature of business of the Company.

Dividend

Your directors do not recommend any dividend for the financial year ending 31 March 2020.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

Share Capital

The Company had filed an application with NCLT, Hyderabad bench under Section 66 of the Companies Act, 2013, for reduction of its paid up share capital by 99.75% in the FY2019. During the year under review, the National Company Law Tribunal, Hyderabad Bench vide its Order No. CA No. 57/66/HDB/2019 dated 14 June 2019 approved the reduction of the paid-up equity share capital of the Company by Rs. 20,00,00,000/- (Rupees Twenty Crores Only) from Rs 20,05,00,000/- (Rupees Twenty Crores Five Lakhs Only) to Rs 500,000/- (Rupees Five Lakhs). Such reduction was effected by repaying 2,00,00,000 equity shares of Rs. 10 each aggregating to Rs. 20,00,00,000/- (Twenty Crores Only) to its sole beneficial shareholder, Dr. Reddy's Laboratories Limited (Holding Company).

The Company also received the certificate of registration of order confirming reduction of capital from Registrar of Companies, Hyderabad dated July 15, 2019. The Company also repaid Rs. 20,00,00,000/- (Twenty Crores) to Dr. Reddy's Laboratories Limited (Holding Company).

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments Affecting the Financial Position of the Company

No material change and commitments affecting the financial position of the Company, has occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Particulars of Loans, Guarantees or Investments

The Company has not made any loans, guarantees and investments under section 186 of the Companies Act, 2013 during the year under review.

Subsidiaries and Associates

The Company does not have any subsidiary, joint venture or associate company.

Number of Board meetings

The Company's board met four times during the year: 15 May 2019, 26 July 2019, 30 October 2019 and 24 January 2020.

Board of Directors and Key Managerial Personnel

Pursuant to provisions of Section 152 of the Companies Act, 2013, Ms. Namrata (DIN: 08128191), retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, seeks re-appointment. The board recommends her re-appointment for approval at the ensuing AGM.

The brief profile of Ms. Namrata is given in the notice convening 11th AGM for reference of the shareholders.

There is no change in key managerial personnel during the year under review.

Secretarial Standards

The directors state that applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company. The Company has also voluntarily adopted the recommendatory Secretarial Standard-4 on 'Report of the Board of Directors' issued by the Institute of Company Secretaries of India.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2019-20 and of the profit of the Company for that period;
3. proper and sufficient care has been taken to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. annual accounts have been prepared on a going concern basis; and
5. proper and adequate systems have been devised to ensure compliance with the provisions of all applicable laws and these systems are operating effectively.

Corporate Social Responsibility

Since the Company did not reach the threshold limit of net worth or turnover or net profit, during the immediate preceding financial year as stated in Section 135(1) of the Companies Act, 2013, therefore, the Company was not required to constitute a Corporate Social Responsibility Committee. Hence, provisions with regard to CSR Committee, CSR policy and CSR spent/initiatives were not applicable to the Company during the year.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

The Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are made applicable to the Company as well. Identified key risks and internal control matters pertaining to the Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams, discussed with management and suitably updated to DRL's Board.

Related Party Transactions

During the year under review, the Company has not entered into contract or arrangement falling under the ambit of Section 188 of the Companies Act, 2013. Hence disclosure of particulars of contracts or arrangements with related parties in Form AOC-2 is not applicable.

Statutory Auditors

M/s. Alka Zanwar & Co., Chartered Accountants (Firm Registration No: 000501S) were appointed as statutory auditors for a period of 5 years commencing from the conclusion of 10th AGM till the conclusion of the 15th AGM in terms of Section 139 of the Companies Act, 2013 and the rules made thereunder.

The Ministry of Corporate Affairs (MCA) vide its notification dated May 7, 2018, has omitted the requirement under the first proviso to section 139 of the Companies Act, 2013 and rule 3(7)

of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of Statutory Auditor by shareholders at every AGM.

Consequently, M/s. Alka Zanwar & Co., Chartered Accountants continue to be the statutory auditors of the Company till the conclusion of 15th AGM, as approved by the shareholders at the 10th AGM of the Company.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the statutory auditors in their report. During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013.

Significant and Material Orders passed by the Court/Regulators

During the year under review, there were no significant and/or material orders, passed by any Court or Regulators or Tribunal which may impact the going concern status or the Company's operations in future.

Particulars of Employees

None of the employees of the Company draw salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of Energy, Technology Absorption, Foreign exchange earnings and outgo

Since the Company did not have any operations during the year, the particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Since the Company has no employees during the year, the provisions relating to constitution of internal complaints committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 are not applicable to your Company.

Extract of the Annual Return

The details forming part of the extract of the annual return in Form MGT-9 are attached as **'Annexure I'** to this Report.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the Company during the year.

For and on behalf of the Board of Directors

Date: May 11, 2020
Place: Hyderabad

M V Narasimham
Director
DIN: 02677423

Sujit Kumar Mahato
Director
DIN: 07599067

ANNEXURE I

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2020
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

Sl. No.	Particulars	Details
i)	CIN	U24233TG2009PLC064271
ii)	Registration Date	July 8, 2009
iii)	Name of the Company	Regkinetics Services Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	8-2-337, Road no. 3, Banjara Hills, Hyderabad – 500 034
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sl. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
NA			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500034	L85195TG1984PLC004507	Holding	100	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	2,00,50,000	2,00,50,000	100	0	50,000	50,000	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	2,00,50,000	2,00,50,000	100	0	50,000	50,000	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0

Total shareholding of Promoter (A)=(A)(1)+(A)(2)	**0**	**2,00,50,000**	**2,00,50,000**	**100**	**0**	**50,000**	**50,000**	**100**	**0**
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**0**	**2,00,50,000**	**2,00,50,000**	**100**	**0**	**50,000**	**50,000 (*)**	**100**	**0**

(*) Out of 50,000 equity shares, 6 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	2,00,50,000	100	0	50,000	100	0	0
		2,00,50,000	**100**	**0**	**50,000**	**100**	**0**	**0**

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year					Cumulative Shareholding during the year	
Name	**No. of Shares**	**% of total shares of the company**	**Date**	**Increase/(decrease) in shareholding**	**Reason**	**No. of Shares**	**% of total shares of the company**
Dr. Reddy's Laboratories Limited	**2,00,50,000**	**100**	01.04.2019				
			15.07.2019	(2,00,00,000)	Reduction	50,000	100
			31.03.2020	**-**	**-**	**50,000**	**100**

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	**Shareholding at the beginning of the year**		**Shareholding at the end of the year**	
	No. of shares	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	**Name**	**Date**	**Shareholding at the beginning of the year**		**Increase / (Decrease) in Shareholding, if any**	**Reason**	**Cumulative Shareholding during the year**	
			No. of Shares (*)	**% of total shares of the company**			**No. of Shares**	**% of total shares of the company**
A.	**DIRECTORS***							
1	Mr. Venkata Narasimham Mannam*	01.04.2019	1	0	0	-	1	0
		31.03.2020	1	0	0	-	1	0
2	Mr. Sujit Kumar Mahato*	01.04.2019	1	0	0	-	1	0
		31.03.2020	1	0	0	-	1	0
3	Ms. Namrata	01.04.2019	0	0	0	-	0	0
		31.03.2020	0	0	0	-	0	0
B.	**KEY MANAGEMENT PERSONNEL (KMPs)**							
4	Mr. Ashok Kalyan Tavva (Chief Financial Officer)	01.04.2019	0	0	0	-	0	0
		31.03.2020	0	0	0	-	0	0
5	Ms. Sudha Jhunjhunwala (Company Secretary)	01.04.2019	0	0	0	-	0	0
		31.03.2020	0	0	0	-	0	0
6	Mr. Kiran Yanamandra* (Chief Executive Officer)	01.04.2019	1	0	0	-	1	0
		31.03.2020	1	0	0	-	1	0

* Held as nominee shareholder on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment – NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager – Not applicable

B) Remuneration of other directors – No remuneration was paid to the directors.

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager – No remuneration was paid to the Key Managerial Personnel.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES – There were no penalties/punishments/compounding of offences during the year.

For and on behalf of the Board of Directors

Date: May 11, 2020
Place: Hyderabad

Sujit Kumar Mahato
Director
DIN: 07599067

M V Narasimham
Director
DIN: 02677423

To
Members
Regkinetics Services Limited

Report on the Audit of Standalone Ind AS Financial Statements

Opinion

We have audited the standalone Ind AS Financial Statements of **Regkinetics Services Limited ("the Company"),** which comprise the Balance sheet as at 31st March 2020, the Statement of Profit and Loss, the Statement of Cash Flows, and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit, its cash flows and the changes in equity for the year ended on that date

.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards of Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2020, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order,2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4of the Order.

2. As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account

e) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133of the Act.

e) On the basis of the written representations received from the directors as on 31st March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2020 from being appointed as a director in terms of Section164(2) of the Act.

f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund.

(h) With reference to the matters to be included under Section 197(16) of the Companies Act, based on the information provided and explanations offered, the company has not employed any managerial personnel and hence the provisions of the Companies Act, 2013 relating to Managerial remuneration are not applicable to the Company

Place : Hyderabad
Date: 11th May 2020

for Alka Zanwar& Co.
Chartered Accountants
ICAI FRN : 000501S

Alka Zanwar
Proprietor
Membership No.206739

ANNEXURE TO THE AUDITORS' REPORT
(Regkinetics Services Limited)
(*Of even date referred to in Para 1 of our Report*)

(i) The Company has no fixed assets and hence clause 3(i) of the Order is not applicable to the Company for the period under audit.

(ii) As explained and information given to us, the company does not have any inventory and hence para 3(ii) of the Order is not applicable to the Company for the period under audit.

(iii) Based on the information provided to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) are not applicable to the Company for the year.

(iv) Based on the information provided to us, the Company has not given any loan, guarantee, nor provided any security in connection with a loan and not acquired any security during the year and hence, in our opinion, the clause 3(iv) is not applicable to the Company during the year.

(v) Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 3(v) is not applicable to the Company for the year.

(vi) Based on the explanations given to us, the Company is not required to maintain cost Records under Section 148 of the Companies Act, 2013 and hence the clause 3(vi) of the order is not applicable to the Company for the period under audit.

(vii) (a) According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Duty of Customs, Duty of Excise, Value added tax and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable

(b) According to the information and explanations given to us, there are no dues of VAT, income tax, customs duty, excise duty, service tax, cess to be deposited on account of any dispute and hence, clause 3(vii)(b) of the Order is not applicable to the Company during the year.

Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

(viii) Based on the information provided and explanation given to us, the Company has not taken any loans from Banks / Financial Institutions / Government / due to Debenture Holders and hence clause 3(viii) of the Order is not applicable to the Company for the period under audit.

(ix) According to the information and explanations given to us, the Company has not raised any monies by way of IPO / further public offer nor has taken any term loans and hence clause 3(ix) of the Order is not applicable to the Company for the period under audit.

(x) In our opinion and according to the information provided and explanations offered to us, no fraud on or by the Company has been noticed or reported during the year.

(xi) In our opinion, the provisions of section 197 read with Schedule V to the Companies Act,2013 the Company has not paid any managerial remuneration during the year and hence clause 3(xi) of the Order is not applicable to the Company for the period under audit.

(xii) Based on the explanations given to us, in our opinion, the Company is not a Nidhi Company as per section 406 of the Companies Act,2013 and hence clause 3(xii) is not applicable to the Company.

(xiii) Based on the information provided and explanation given to us, in our opinion, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;

(xiv) The Company has not made any preferential allotment of shares during the year and during the year under review and hence, clause 3(xiv) is not applicable to the Company during the year.

(xv) As per the information given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) is not applicable to the Company during the year.

(xvi) According to the information provided and explanations offered to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this Company.

Place : Hyderabad
Date: 11th May 2020

for Alka Zanwar& Co.
Chartered Accountants
ICAI FRN : 000501S

Alka Zanwar
Proprietor
Membership No.206739

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF Regkinetics Services Limited
[Re : Clause 2(f) of the independent auditors report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Regkinetics Services Limited, as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2)provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place : Hyderabad
Date: 11th May 2020

for Alka Zanwar& Co.
Chartered Accountants
ICAI FRN : 000501S

Alka Zanwar
Proprietor
Membership No.206739

Regkinetics Services Limited
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non-current assets			
Tax assets, net	2.3	54	16
		54	**16**
Current assets			
Financial assets			
Investments	2.1	7,453	206,007
Cash and cash equivalents	2.2	430	1,568
		7,883	**207,575**
Total assets		**7,937**	**207,591**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.4	500	200,500
Other equity		7,327	6,273
		7,827	**206,773**
Liabilities			
Non-current liabilities			
Deferred tax liabilities, net	2.6	95	808
		95	**808**
Current liabilities			
Financial liabilities			
Other financial liabilities	2.5	15	10
		15	**10**
Total equity and liabilities		**7,937**	**207,591**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

for and on behalf of the Board of Directors of
Regkinetics Services Limited
CIN: U24233TG2009PLC064271

per Alka Zanwar
Partner
ICAI Firm registration number: 206739

Kiran Yanamandra
Chief Executive Officer

Venkatanarasimham Mannam
Director
DIN : 0002677423

Sujit Kumar Mahato
Director
DIN : 0007599067

Place: Hyderabad
Date: 11-May-2020

Ashok Kalyan T
Chief Financial Officer

Sudha J
Company Secretary

Regkinetics Services Limited
Statement of Profit and Loss
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Income			
Revenue from operations		-	-
Other income	2.7	4,447	12,000
Total income		**4,447**	**12,000**
Expenses			
Other expenses	2.8	149	42
Total expenses		**149**	**42**
Profit/(Loss) before tax		**4,298**	**11,958**
Tax expense			
Current tax		1,826	2,301
Deferred tax		(713)	808
Profit/(Loss) for the year		**3,185**	**8,849**
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified subsequently to profit or loss		-	-
Total other comprehensive income/(loss) for the year, net of tax		**-**	**-**
Total comprehensive income/(loss) for the year		**3,185**	**8,849**
Earnings per share:	2.9		
Basic earnings per share of Rs. 10/- each		0.77	0.44
Diluted earnings per share of Rs. 10/- each		0.77	0.44

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

for and on behalf of the Board of Directors of
Regkinetics Services Limited
CIN: U24233TG2009PLC064271

per Alka Zanwar
Partner
ICAI Firm registration number: 206739

Kiran Yanamandra
Chief Executive Officer

Venkatanarasimham Mannam
Director
DIN : 0002677423

Sujit Kumar Mahato
Director
DIN : 0007599067

Place: Hyderabad
Date: 11-May-2020

Ashok Kalyan T
Chief Financial Officer

Sudha J
Company Secretary

Regkinetics Services Limited
Statement of changes in equity
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	Equity share capital		Other components of equity		Total other equity	Total equity
			Reserves and surplus	Other comprehensive income/(loss)		
	No.of Shares	Amount	Retained earnings			
Balance as at 1 April 2018	**20,050,000**	**200,500**	**(2,576)**	**-**	**(2,576)**	**197,924**
Profit for the year	-	-	8,849	-	8,849	**8,849**
Balance as of 31 March 2019	**20,050,000**	**200,500**	**6,273**	**-**	**6,273**	**206,773**
Balance as at 1 April 2019	**20,050,000**	**200,500**	**6,273**	**-**	**6,273**	**206,773**
Profit for the year	-	-	3,185	-	3,185	**3,185**
Redemption of equity shares	(20,000,000)	(200,000)	-	-	-	**(200,000)**
Dividend distribution tax paid on redemption of equity shares	-	-	(2,131)		(2,131)	**(2,131)**
Balance as of 31 March 2020	**50,000**	**500**	**7,327**	**-**	**7,327**	**7,827**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

for and on behalf of the Board of Directors of
Regkinetics Services Limited
CIN: U24233TG2009PLC064271

per Alka Zanwar
Partner
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Kiran Yanamandra
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DIN : 0002677423

Sujit Kumar Mahato
Director
DIN : 0007599067

Place: Hyderabad
Date: 11-May-2020

Ashok Kalyan T
Chief Financial Officer

Sudha J
Company Secretary

Regkinetics Services Limited
Statement of Cash Flows
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Cash flows from/(used in) operating activities		
Profit before taxation	4,298	11,958
Adjustments:		
Interest income received	-	(993)
Profit on sale of mutual funds	(7,313)	(7,775)
Fair value gain on financial instruments through profit or loss	2,866	(3,232)
Changes in operating assets and liabilities:		
Increase in other assets	-	128
Increase in other liabilities	5	(34)
Cash generated from/(used in) operations	**(144)**	**52**
Income taxes paid, net	(1,865)	(2,317)
Net cash used in operating activities	**(2,009)**	**(2,265)**
Cash flows from/(used in) investing activities		
Proceeds from sale of investments	203,001	7,775
Purchase of investments	-	(202,775)
Interest income received	-	993
Net cash from/(used in) investing activities	**203,001**	**(194,007)**
Cash flows from/(used in) financing activities		
Reduction of share capital	(200,000)	-
Dividend distribution tax paid on reduction of share capital	(2,131)	-
Net cash used in financing activities	**(202,131)**	**-**
Net decrease in cash and cash equivalents	(1,138)	(196,272)
Cash and cash equivalents at the beginning of the year (Refer note 2.2)	1,568	197,840
Cash and cash equivalents at the end of the year (Refer note 2.2)	**430**	**1,568**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

for and on behalf of the Board of Directors of
Regkinetics Services Limited
CIN: U24233TG2009PLC064271

per Alka Zanwar
Partner
ICAI Firm registration number: 206739

Kiran Yanamandra
Chief Executive Officer

Venkatanarasimham Mannam
Director
DIN : 0002677423

Sujit Kumar Mahato
Director
DIN : 0007599067

Place: Hyderabad
Date: 11-May-2020

Ashok Kalyan T
Chief Financial Officer

Sudha J
Company Secretary

1.1 Description of the Company

The financial statements comprise of Regkinetics Services Limited ("the Company") for the year ended 31 March 2020. The company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The registered office of the Company is located in Hyderabad, Telangana, India. The Company is in the business of Bio-Analytical/ Clinical research.

1.2 Basis of preparation of financial statements

a) **Statement of compliance**

The financial statements of the Company as at and for the year ended 31 March 2020 have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

These financial statements have been prepared by the Company as a going concern on the basis of relevant Ind AS that are effective or elected for early adoption at the Company's annual reporting date, 31 March 2020. These financial statements were authorised for issuance by the Company's Board of Directors on 11 May 2020.

b) **Basis of measurement**

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

• financial assets are measured either at fair value or at amortised cost depending on the classification;

• long-term borrowings, except obligations under finance leases, are measured at amortised cost using the effective interest rate method;

• assets held for sale are measured at fair value less costs to sell

c) **Functional and presentation currency**

These financial statements are presented in Indian rupees, which is the functional currency of the company. All financial information presented in Indian rupees has been rounded to the nearest thousands.

d) **Use of estimates and judgements**

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

e) **Current and non-current classification**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of Financial Statements.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets and liabilities include the current portion of non-current assets and liabilities respectively. All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

1.3 Significant accounting policies

a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVTOCI);
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL); and
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the statement of profit and loss. Interest earned while holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Equity investments

All equity investments within the scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Equity investments designated as FVTOCI are not subject to impairment assessment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Investments in subsidiaries and joint venture:

Investments in subsidiaries and joint venture are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries and joint venture, the difference between net disposal proceeds and the carrying amounts are recognised in the statement of profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

• The rights to receive cash flows from the asset have expired; or

• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of trade receivables and other financial assets

In accordance with Ind AS 109, the Company applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on trade receivables or any contractual right to receive cash or another financial asset.

For this purpose, the Company follows a 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of this simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to the statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as fair value through profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, “short-term” means investments having original maturities of three months or less from the date of investment. Bank overdrafts that are repayable on demand form an integral part of the Company’s cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

b) **Provisions**

A provision is recognised in the statement of profit and loss if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

c) **Contingent liabilities and contingent assets**

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

d) **Revenue**

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind AS

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind AS 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

e) **Other income and finance cost**

Other income consists of interest income on funds invested, dividend income and gains on the disposal of assets. Interest income is recognised in the statement of profit and loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of profit and loss on the date that the Company's right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognised in the statement of profit and loss using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

f) **Income tax**

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

• temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;

• temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

• taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that the future taxable profits will allow the deferred tax assets to be recovered.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealised inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognised using the tax rate of the jurisdiction in which such inventories are held. Dividend distribution tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

g) **Earnings per share**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes all stock options granted to employees.

Financial assets

2.1 Investments

Particulars	As at 31 March 2020	As at 31 March 2019
Current		
Investments at Fair value through profit & loss account		
Investment in mutual funds - unquoted	7,453	206,007
Total current investments	**7,453**	**206,007**

2.2 Cash and cash equivalents

Particulars	As at 31 March 2020	As at 31 March 2019
Balances with banks		
In current accounts	430	1,568
Cash and cash equivalents	**430**	**1,568**

2.3 Tax asset

Particulars	As at 31 March 2020	As at 31 March 2019
Advance tax paid	54	16
	54	**16**

2.4 Share capital

Particulars	As at 31 March 2020	As at 31 March 2019
Authorised share capital		
25,000,000 equity shares of Rs. 10/- each (31 March 2019: 25,000,000)	250,000,000	250,000,000
Issued equity capital		
50,000 equity shares of Rs. 10/- each fully paid-up (31 March 2019: 20,050,000)	500	200,500
Subscribed and fully paid-up		
50,000 equity shares of Rs. 10/- each fully paid-up (31 March 2019: 20,050,000)	500	200,500
	500	**200,500**

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
	No. of shares	Amount	No. of shares	Amount
Opening number of equity shares/share capital	20,050,000	200,500	20,050,000	200,500
Less: Redeemed during the year	(20,000,000)	(200,000)	-	
Closing number of equity shares/share capital	**50,000**	**500**	**20,050,000**	**200,500**

(b) Terms / rights attached to the equity shares

The company has only one class of equity share having a par value of Rs.10/- per share . Each holder of equity share is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2020		As at 31 March 2019	
	No. of shares held	% holding in the class	No. of shares held	% holding in the class
Dr. Reddy's Laboratories Limtied (including shares held by nominees)	50,000	100%	20,050,000	100%

(d) Reduction of share capital

During the previous year 2018-19 the company has applied for Reduction of Share Capital as per Section 66 of the Companies Act, 2013 to NCLT by 99.75 % by way of paying off the paid up share capital, which is in excess of wants of the company, to the shareholders.

During the current year NCLT has approved the same and passed the order on 14-June-2019. Upon approval of NCLT Company has made the reduction in paid-up share capital from 20,050,000 equity shares of Rs. 10 each ~ Rs. 200,500 to 50,000 equity shares of Rs. 10 each ~ Rs. 500 by redeeming 20,000,000 equity shares and repaying Rs. 200,000 to the holding company Dr. Reddy's Laboratories Limtied.

Financial liabilities

2.5 Other financial liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
Current		
Accrued expenses	15	10
	15	**10**

2.6 Deferred tax liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred tax liabilities	95	808
	95	**808**

2.7 Other income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income		
On deposits with bank	-	993
Profit on sale of mutual funds, net	7,313	7,775
Fair value gain/(loss) on financial instruments through profit or loss	(2,866)	3,232
	4,447	**12,000**

2.8 Other expenses

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Legal and professional	100	12
Rates and taxes	5	-
Auditors' remuneration (Audit fee)	18	10
Bank charges	0	0
Other general expenses	26	20
	149	**42**

2.9 Earnings Per Share

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit for the year	3,185	8,849
Weighted average number of equity shares		
outstanding during the year - Basic	4,148,361	20,050,000
outstanding during the year - Diluted	4,148,361	20,050,000
Earnings Per Share:		
Basic (face value of Rs.10/-)	0.77	0.44
Diluted (face value of Rs.10/-)	0.77	0.44

2.10 Related Parties

A. List of related parties:

Name of the party	Nature of relationship
Dr. Reddy's Laboratories Limited	Holding Company

B. Particulars of related parties transactions:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Dr. Reddy's Laboratories Limited		
Redemption of share capital	200,000	-
Issue of share capital	-	200,000

C.The Company has nil dues from/to related parties

2.11 Employee benefits

Ind AS 19 is not applicable to the company during the year as there are no employees .

2.12 Segment Reporting

In terms of Ind AS 108 relating to "segment reporting", the company operates only in one segment and hence the requirements under the standard are not applicable to the company.

2.13 Details of dues to Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Act, 2006

Based on the information available with the Company, there are no vendors who are registered as micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006", as at March 31, 2020 and March 31, 2019.

2.14 Financial Instruments

The carrying value and fair value of financial instruments as at 31 March 2020 and 31 March 2019 were as follows:

	Carrying Values		Fair Values		Hierarchy
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	
Financial assets					
At amortised cost					
Cash and cash equivalents	430	1,568	430	1,568	Level 3
At FVTPL					
Investments	7,453	206,007	7,453	206,007	Level 1
Total	**7,882**	**207,575**	**7,882**	**207,575**	
Financial liabilities					
At amortised cost					
Other financial liabilities	15	10	15	10	Level 3
Total	**15**	**10**	**15**	**10**	

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The carrying amount of financial assets and financial liabilities measured at amortised cost in the financial statements are a reasonable approximation of their fair values since the Company does not anticipate that the carrying amounts would be significantly different from the values that would eventually be received or settled.

2.15 Financial Risk Management

The Company's activities expose to market risk and liquidity risk. The Company's primary risk management focus is to minimise potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors is responsible for overseeing the Company's risk assessment and management policies and processes.

a. Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments. The Company is exposed to market risk primarily related to market value of its investments.

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Management monitors rolling forecasts of the Company's cash flow position and ensures that the Company is able to meet its financial obligations at all times including contingencies.

2.16 Capital management

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt. The capital gearing ratio as on 31 March 2020 and 31 March 2019.

Particulars	As at 31 March 2020	As at 31 March 2019
Other financial liabilities	15	10
Total debts	**15**	**10**
Equity	500	200,500
Other Equity	7,327	6,273
Total Capital	**7,827**	**206,773**
Capital and debt	**7,842**	**206,783**
Gearing ratio (%)	0.19%	0.00%

2.17 Subsequent events

There are no significant events that occurred after the balance sheet date.

As per our report of even date attached

for Alka Zanwar & Co.
Chartered Accountants
ICAI Firm registration number: 000501S

for and on behalf of the Board of Directors of
Regkinetics Services Limited
CIN: U24233TG2009PLC064271

per Alka Zanwar
Partner
ICAI Firm registration number: 206739

Kiran Yanamandra
Chief Executive Officer

Venkatanarasimham Mannam
Director
DIN : 0002677423

Sujit Kumar Mahato
Director
DIN : 0007599067

Place: Hyderabad
Date: 11-May-2020

Ashok Kalyan T
Chief Financial Officer

Sudha J
Company Secretary

Independent Auditors' Report

To the Members of **DRANU LLC**

We have audited the accompanying financial statements of **DRANU LLC**a company incorporated and administered outside India, which comprises the Balance sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income) for the year ended on that date annexed thereto, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The financial statements are prepared for the limited purpose of complying with the provisions of Section 136 of the Companies Act, 2013. The Company's Board of Directors is responsible, in accordance with the requirement of and only for the purpose of Section 136 of the Companies Act, 2013, for the matters with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended only to the extent applicable and relevant to a company incorporated outside India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

The Management of the Company is further responsible for ensuring that the financial statements, as far as possible, are in accordance with the requirement of Section 136 of the Companies Act, 2013.

Auditor's Responsibility

The audit is limited and only to express an opinion on the financial statements, prepared only to comply with the requirements and for the purpose of sec.136 of the Companies Act, 2013, whether they give a true and fair view of, as the case may be, state of affairs etc. It is not an audit in accordance with the provisions of the statutes of the country in which it was established and operated as may be applicable to the company.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Section 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under Section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside India.

This report is based on our examination of the accompanying financial statements and other relevant records and information considered necessary for the purposes of issuing this report and the information and explanations provided to us by the Management.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act, to the extent applicable and relevant to a company incorporated outside India, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2020;

(b) in the case of the Statement of Profit and Loss (including Other Comprehensive Income), of theLoss for the year ended on that date; and

(C) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

(d) in the case of Statement of Changes in Equity, of the Changes in Equity for the year ended on that date

For M/s A Ramachandra Rao & Co
Chartered Accountants
ICAI FRN 02857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 18th May 2020

UDIN: 20202367AAABPO4080

DRANU LLC
Balance Sheet
(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Current assets			
Financial assets			
Cash and cash equivalents	2.1	-	54
Total current assets		**-**	**54**
Total assets		**-**	**54**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.2	359,824	359,824
Other equity		(359,824)	(359,770)
Total equity		**(0)**	**54**
Total equity and liabilities		**(0)**	**54**
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors of **DRANU LLC**

PSRVV Surya Rao
Partner
Membership No. 202367

Raymond De Vré
Director

Place: Hyderabad
Date: 18 May 2020

DRANU LLC

Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Total Income		-	-
Expenses			
Selling and other expenses	2.3	54	-
Total expense		**54**	-
Loss before tax		**(54)**	-
Income tax expense		-	-
Loss for the year		**(54)**	-
Significant accounting policies	1		

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors of **DRANU LLC**

PSRVV Surya Rao
Partner
Membership No. 202367

Raymond De Vré
Director

Place: Hyderabad
Date: 18 May 2020

DRANU LLC

Statement of Changes in Equity

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

2.3 Total equity

For the year ended 31 March 2020

Particulars	Share Capital		Other components of Equity		Total Equity
	Shares	Amount	Other Comprehensive income	Retained Earnings	
Balance as of 1 April 2019	**-**	**359,824**	**4,947**	**(364,717)**	**54**
Foreign currency translation adjustments	-	-	-	-	-
Loss for the period	-	-	-	(54)	(54)
Balance as of 31 March 2020	**-**	**359,824**	**4,947**	**(364,771)**	**(0)**

For the year ended 31 March 2019

Particulars	Share Capital		Other Equity		Total Equity
	Shares	Amount	Other components of equity(OCI)	Retained Earnings	
Balance as of 1 April 2018	**-**	**359,824**	**4,944**	**(364,717)**	**51**
Foreign currency translation adjustments	-	-	3	-	3
Loss for the period	-	-	-	-	-
Balance as of 31 March 2019	**-**	**359,824**	**4,947**	**(364,717)**	**54**

As per our report of even date attached

for and on behalf of the Board of Directors of **DRANU LLC**

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

Raymond De Vré
Director

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 18 May 2020

DRANU LLC

Cash Flow Statement

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Operating activities		
Loss before taxation	(54)	-
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	-	-
Foreign exchange gain/loss,net	(0)	-
Operating cash flows before working capital changes	**(54)**	**-**
Working capital adjustments:		
Increase in other assets and liabilities	0	-
	(54)	**-**
Income tax paid	-	-
Net cash flows from operating activities	**(54)**	**-**
Net cash flows used in investing activities	**-**	**-**
Net cash flows from/ (used in) financing activities	**-**	**-**
Net increase / (decrease) in cash and cash equivalents	(54)	-
Cash and cash equivalents at the beginning of the year	54	51
Effect of foreign exchange differences on cash and cash equivalents	-	3
Cash and cash equivalents at the end of the year	**(0)**	**54**
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	-	54
Cash and bank balances at the end of the year	**-**	**54**

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

PSRVV Surya Rao
Partner
Membership No. 202367

Place: Hyderabad
Date: 18 May 2020

for and on behalf of the Board of Directors of **DRANU LLC**

Raymond De Vré
Director

DRANU LLC

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies

1.1 Description of the Company

DRANU, LLC (" the Company") is a joint venture of Dr. Reddy's Laboratories Inc. organised under the laws of USA.

1.2 Basis of preparation of financial statements

The financial statements of the Company have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and as amended from time to time.

1.3 Use of estimates and judgments

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.4 Significant accounting policies

Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 and Ind AS 1, Presentation of financial statements.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within twelve months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the Company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within twelve months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are always disclosed as non-current.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise

When several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date.

Revenue from contracts with customers

Sale of goods

Revenue is recognised when the control of the goods has been transferred to a third party, when the title passes to the customer, either upon shipment or upon receipt of goods by the customer and when the customer has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the product. Revenue from the sale of goods is measured at the transaction price which is the consideration received or receivable, net of returns, taxes and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Services Income

Revenue from services rendered, which primarily relate to contract research, is recognised in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

License fee

License fees primarily consist of income from the out-licensing of intellectual property, and other licensing and supply arrangements with various parties. Revenue from license fees is recognised when control transfers to the third party and the Company's performance obligations are satisfied. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

Interest income and dividend

Interest income primarily comprises of interest from term deposits with banks. Interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

DRANU LLC

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

• the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;

• differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

• taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. General and specific borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognised in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Depreciation

Depreciation is recognised in the statement of profit and loss on a straight line basis over the estimated useful lives of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* .

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date is disclosed as capital advances under other non-current assets. The cost of property, plant and equipment not ready to use before such date are disclosed under capital work-in-progress. Assets not ready for use are not depreciated.

Inventories

Inventories consist of raw materials, stores and spares, work-in-progress and finished goods and are measured at the lower of cost and net realisable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares, that do not qualify to be recognised as property, plant and equipment, consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company’s business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

DRANU LLC

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

The Company's contributions to defined contribution plans are charged to the statement of profit and loss as and when the services are received from the employees.

Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Reimbursement rights

Expected reimbursements for expenditures required to settle a provision are recognised only when receipt of such reimbursements is virtually certain. Such reimbursements are recognised as a separate asset in the balance sheet, with a corresponding credit to the specific expense for which the provision has been made.

Contingent liabilities

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Companny commits to purchase or sell the asset.

Impairment of trade receivables

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18.

For this purpose, the Company follows 'simplified approach' for recognition of impairment loss allowance on the trade receivable balances. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Financial liabilities are classified,as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially ate fair value and subsequently measured at amortised cost using the effective interest method.

DRANU LLC

Significant Accounting Policies & Notes to financial statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1 Description of the Company and significant accounting policies (continued)

1.5 Going Concern

The accounts have been prepared on Going Concern basis, despite incurring losses and no assets, as the Company is supported by its parent company in its activities and financial affairs.

1.6 Taxation

a. Current Taxes

The Company is not liable to pay any current taxes on account of current year losses, brought forward losses and unabsorbed depreciation.

b. Deferred Taxes

The deferred tax liability has not been provided during the year as there is no liability arising out of any timing difference.

1.7 Provisions, Contingent Liabilities and Contingent Assets

Contingent liabilities and the crystallisation of these liabilities are dependent upon the outcome of court cases / arbitration / out of court settlement, disposal of appeals, the amount being called up, terms of contractual obligation, development and raising of demand by concerned parties, respectively. The Company has made adequate provisions, wherever required, in compliance with Ind AS 37 prescribed by the ICAI. Those contingent liabilities have arisen in the normal course of business and may not crystallise on the Company and may not have any material impact on the revenue.

DRANU LLC

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to the financial statements

Financial Assets

	As at 31 March 2020	As at 31 March 2019
2.1 : Cash and cash equivalents		
Balances with banks:		
- On current accounts	-	54
	-	**54**

2.2 : Share capital

	As at 31 March 2020	As at 31 March 2019
Authorised Share Capital		
Authorised capital of US $ 2,085,900*	359,824	359,824
Issued equity capital		
Issued capital of US $ 2,085,900*	359,824	359,824
Subscribed and fully paid-up		
Issued capital of US $ 2,085,900*	359,824	359,824
	359,824	**359,824**

* No concept of nature and number of shares in the company.

	For the year ended 31 March 2020	For the year ended 31 March 2019
2.3 : Selling and other expenses		
Other general expenses	54	-
	54	**-**